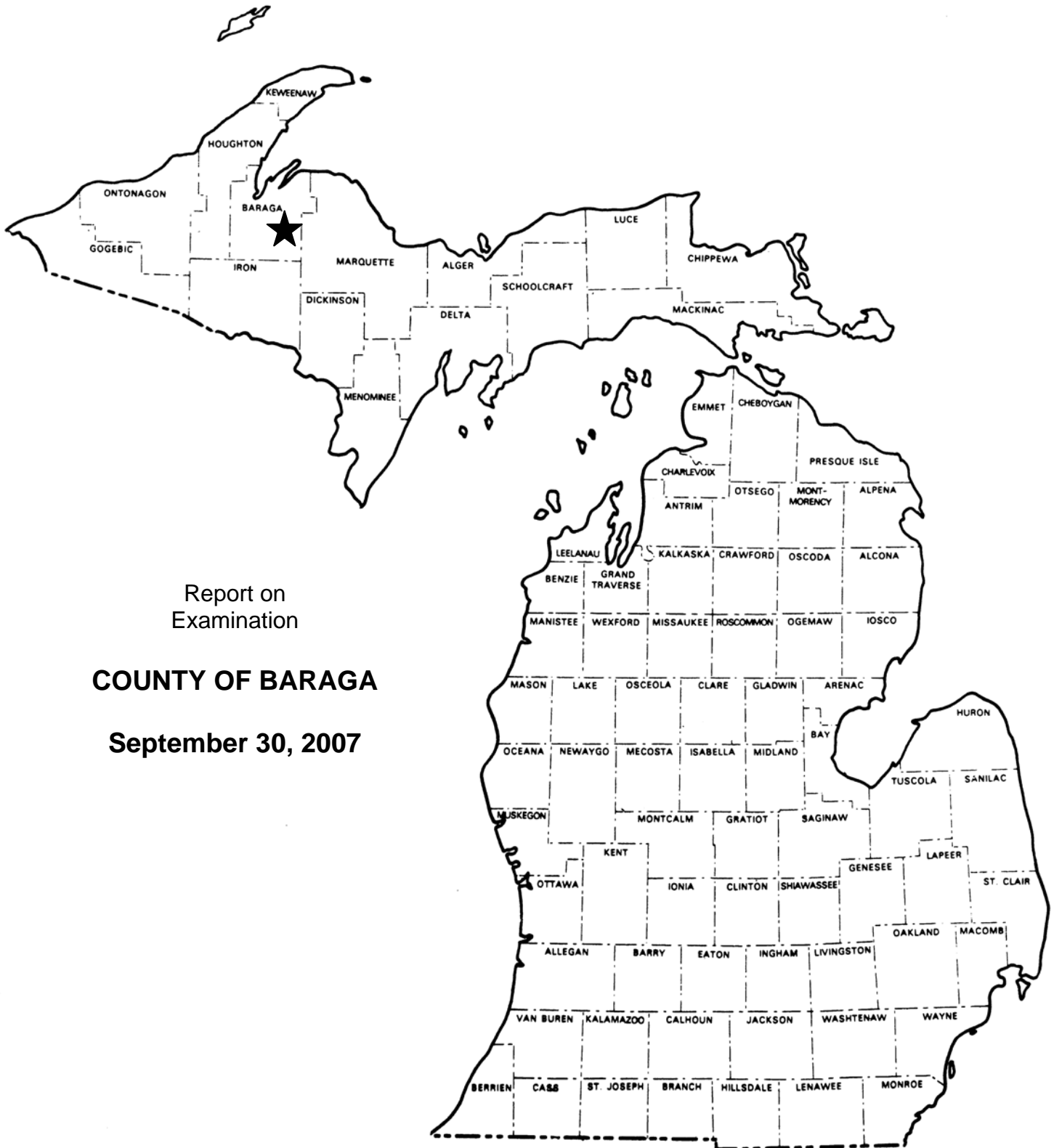


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination
COUNTY OF BARAGA
September 30, 2007

COUNTY OF BARAGA
BOARD OF COMMISSIONERS

Michael Koskinen
Chairperson

Gale Eilola

William Menge

Larry Menard

Paul Tesanovich

COURT JUDGES

Garfield W. Hood
Circuit Judge

Timothy S. Brennan
Probate Judge

Phillip L. Kukkonen
District Judge

OTHER ELECTED OFFICIALS

Patricia A. Kissel
Treasurer

Wendy J. Goodreau
Clerk/Register of Deeds

Charles Sliger
Mine Inspector

Robert J. Teddy
Sheriff

Joseph P. O'Leary
Prosecuting Attorney

COUNTY POPULATION--2000
8,746

STATE EQUALIZED VALUATION--2007
\$283,602,138



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

February 7, 2008

County of Baraga
County Board of Commissioners
16 North 3rd Street
L'Anse, Michigan 49946

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Baraga County, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the Baraga County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Baraga County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Baraga County Memorial Hospital which represents 40 percent, 30 percent and 77 percent, respectively of the assets, net assets and revenues of the component unit funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for Baraga County Memorial Hospital.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Baraga County, as of September 30, 2007, and the respective changes in financial position and where

applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2008, on our consideration of the Baraga County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparisons for the Major Funds, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baraga County's basic financial statements. The accompanying supplementary and related information in Exhibits O through W are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These exhibits have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other audits, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

COUNTY OF BARAGA

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Government-Wide Statement of Net Assets	8
EXHIBIT B--Government-Wide Statement of Activities	9
EXHIBIT C--Balance Sheet--Governmental Funds	10
EXHIBIT C-1--Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	11
EXHIBIT D--Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	12
EXHIBIT D-1--Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities.....	13
EXHIBIT E--Statement of Net Assets--Proprietary Funds	14
EXHIBIT F--Statement of Revenues, Expenses and Changes in Net Assets Enterprise Funds	15
EXHIBIT G--Statement of Cash Flows--Enterprise Funds	16
EXHIBIT H--Statement of Net Assets--Fiduciary Funds.....	17
EXHIBIT I--Combining Statement of Net Assets--Component Units	18
EXHIBIT J--Combining Statement of Activities--Component Units	19
NOTES TO FINANCIAL STATEMENTS	20
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
EXHIBIT K--Budgetary Comparison Schedule--General Fund	58
EXHIBIT L--Budgetary Comparison Schedule--911 Wireless--Major Special Revenue Fund	59
EXHIBIT M--Budgetary Comparison Schedule--Revenue Sharing Reserve Fund	60

COUNTY OF BARAGA

TABLE OF CONTENTS (CONTINUED)

Page

SUPPLEMENTAL INFORMATION AND SCHEDULES

EXHIBIT N--Combining Balance Sheet--Non-Major Governmental Funds.....	61
EXHIBIT O--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Non-Major Governmental Funds.....	62
EXHIBIT P--Combining Net Assets--Non-Major Enterprise Funds	63
EXHIBIT Q--Combining Statement of Revenues, Expenses and Changes in Net Assets--Non-Major Enterprise Funds.....	64
EXHIBIT R--Combining Statement of Cash Flows--Increase (Decrease) in Cash and Cash Equivalents--Non-Major Enterprise Funds	65
EXHIBIT S--Combining Balance Sheet--Trust and Agency Funds.....	66
EXHIBIT T--Statement of Changes in Assets and Liabilities--Agency Funds.....	67
EXHIBIT U--Statement of Revenues and Other Sources--By Source Budget and Actual--General Fund	68
EXHIBIT V--Statement of Expenditures and Other Uses--By Activity Budget and Actual--General Fund	70
EXHIBIT W--Combining Statement of Net Assets--Department of Public Works--Component Unit.....	72
EXHIBIT X--Combining Statement of Activities--Department of Public Works Component Unit	73
EXHIBIT Y--Combining Balance Sheet--Department of Public Works Component Unit--Governmental Funds.....	74
EXHIBIT Z--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Department of Public Works Component Unit--Governmental Funds.....	75
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	76
Comments and Recommendations.....	78

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the County, as a whole, and presents a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

The County's net assets for the governmental funds increased \$1,019,548 from a year ago for the governmental activities. The County's net assets for the business-type activities increased \$1,580 from a year ago for the business-type activities. In a condensed format, the tables below show a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2006	Governmental Activities 2007	Difference	Percent
Other Assets	\$ 2,281,136	\$ 2,866,477	\$ 585,341	26%
Capital Assets	1,662,596	1,652,008	(10,588)	-1%
Total Assets	3,943,732	4,518,485	574,753	15%
Other Liabilities	765,969	738,050	(27,919)	-4%
Long-Term Liabilities	2,215,402	1,798,526	(416,876)	-19%
Total Liabilities	2,981,371	2,536,576	(444,795)	-15%
Net Assets				
Invested in Capital Assets--Net of Debt	762,596	877,008	114,412	15%
Restricted	(889,714)	(288,795)	600,919	-68%
Unrestricted (Deficit)	1,089,479	1,393,696	304,217	28%
Total Net Assets	\$ 962,361	\$ 1,981,909	\$1,019,548	106%

A portion of the County's net assets in the amount of \$877,008 reflects its investments in capital assets (i.e., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

An additional portion of the County's net assets (\$288,795) represents resources that are subject to external restrictions on how they may be used. This negative amount of Restricted Net Assets is mainly attributed to the \$855,000 outstanding bond liability for the 1998 Hospital Improvement Refunding Bonds. There is a 2.5 mill property tax mileage set that will pay off the principal and interest payments each year until the bonds are paid off. However, the receivable for these future taxes are not recorded to offset the liability.

The remaining balance of \$1,393,696 represents "*unrestricted net assets*" that may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in two of the three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government, as a whole, as well as for its separate governmental and business-type activities as explained above.

	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Other Assets	<u>\$ 416,535</u>	<u>\$ 430,852</u>	<u>\$ 14,317</u>	<u>3%</u>
Total Assets	<u>416,535</u>	<u>430,852</u>	<u>14,317</u>	<u>3%</u>
Other Liabilities	<u>2,457</u>	<u>15,194</u>	<u>12,737</u>	<u>518%</u>
Total Liabilities	<u>2,457</u>	<u>15,194</u>	<u>12,737</u>	<u>518%</u>
Net Assets				
Unrestricted (Deficit)	<u>414,078</u>	<u>415,658</u>	<u>1,580</u>	<u>0%</u>
Total Net Assets	<u><u>\$ 414,078</u></u>	<u><u>\$ 415,658</u></u>	<u><u>\$ 1,580</u></u>	<u><u>0%</u></u>

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the September 30, 2007:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 447,857	\$ 520,682	\$ 72,825	16%
Operating Grants and Contributions	609,574	693,837	84,263	14%
Capital Grants and Contributions		15,000	15,000	100%
General Revenues				
Property Taxes	2,844,247	3,364,112	519,865	18%
Unrestricted Investment Earnings	45,130	60,916	15,786	35%
Total Revenues	<u>3,946,808</u>	<u>4,654,547</u>	<u>707,739</u>	<u>18%</u>
Program Expenses				
General Government	1,551,946	1,558,757	6,811	0%
Public Safety	1,120,629	1,135,650	15,021	1%
Health and Welfare	421,612	402,224	(19,388)	-5%
Community and Economic Development	85,147	105,207	20,060	24%
Recreation and Culture	4,000	4,000	-	0%
Other	92,924	94,407	1,483	2%
Interest on Long-Term Debt	101,166	89,679	(11,487)	-11%
Total Expenses	<u>3,377,424</u>	<u>3,389,924</u>	<u>12,500</u>	<u>0%</u>
Excess Before Transfers				
Transfers	<u>(219,993)</u>	<u>(245,075)</u>	<u>(25,082)</u>	<u>11%</u>
Change in Net Assets	<u>349,391</u>	<u>1,019,548</u>	<u>695,239</u>	<u>199%</u>
Ending Net Assets	<u>\$ 962,361</u>	<u>\$ 1,981,909</u>	<u>\$1,019,548</u>	<u>106%</u>

Public Act 357 of 2004 provided a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax mileage from a winter tax levy to a summer tax levy and, additionally, required the establishment of a restricted fund to be known as the Revenue Sharing Reserve Fund. The creation of the Revenue Sharing Reserve Fund in 2004 shifted the General Fund County Property Tax Collections from December to July over a three year period. During the time period, the County will levy 33% more each fiscal year and set aside that amount into the Revenue Sharing Fund. The County in turn draws an amount from the fund each year equal to the estimated State Revenue Sharing payment.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The property tax revenue increased by \$519,865 due to the shift in the county operating taxes, a decrease in delinquent property taxes and a reclassification of tribal contributions. There was also an increase of \$62,680 in the charges for services related to the inmate room and board and an increase in the Probate Judge's Salary Standardization State Grant to compensate for the full-time position of the probate judge.

The expenses decreased by an overall amount of \$12,500. There were increases in the jail and probate court costs, which were offset by decreases in the circuit court, register of deeds, treasurer, building and grounds, and a reduction in Homeland Security expenses.

	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 67,089	\$ 68,549	\$ 1,460	2%
Total Revenues	<u>67,089</u>	<u>68,549</u>	<u>1,460</u>	<u>2%</u>
Program Expenses				
Operating Expenses	<u>8,893</u>	<u>11,938</u>	<u>3,045</u>	<u>34%</u>
Total Expenses	<u>8,893</u>	<u>11,938</u>	<u>3,045</u>	<u>34%</u>
Excess Revenues Before Transfers	58,196	56,611	(1,585)	-3%
Nonoperating Revenue				
Interest Earned on Investments	<u>7,537</u>	<u>14,566</u>	<u>7,029</u>	<u>93%</u>
Income (Loss) Before Transfers	65,733	71,177	(3,984)	-6%
Transfers				
Transfers (Out)	<u>(55,580)</u>	<u>(69,597)</u>	<u>(14,017)</u>	<u>25%</u>
Change in Net Assets	<u>10,153</u>	<u>1,580</u>	<u>(12,557)</u>	<u>-124%</u>
Ending Net Assets	<u>\$414,078</u>	<u>\$ 415,658</u>	<u>\$ 1,580</u>	<u>0%</u>

The County's business-type activities consist of the Delinquent Tax Revolving Funds for various years and represent the collection of delinquent taxes. There was no significant change in the revenues or expenses.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

As the County completed fiscal year 2007, its governmental funds reported are combined fund balances of \$2,096,211, an increase of \$791,951. The net changes are summarized below:

	Governmental Activities 2006	Governmental Activities 2007	Amount Difference 2007	Percentage Difference 2007
Revenues				
Taxes	\$ 2,857,611	\$ 3,364,112	\$ 506,501	18%
Licenses and Permits	3,997	6,138	2,141	54%
Federal Grants	135,844	140,843	4,999	4%
State Grants	453,988	551,955	97,967	22%
Contributions From Local Units	5,979		(5,979)	100%
Charges for Services	343,535	414,322	70,787	21%
Fines and Forfeits	10,914	9,488	(1,426)	-13%
Interest and Rentals	45,130	66,227	21,097	47%
Other Revenue	89,810	101,462	11,652	13%
Total Revenues	3,946,808	4,654,547	707,739	18%
Expenditures				
Current				
General Government	1,539,531	1,528,274	(11,257)	-1%
Public Safety	1,071,255	1,061,302	(9,953)	-1%
Health and Welfare	422,421	402,224	(20,197)	-5%
Community and Economic Development	85,147	105,207	20,060	0%
Recreation and Cultural	4,000	4,000	-	0%
Other	92,924	94,407	1,483	2%
Capital Outlay	23,653	57,428	33,775	143%
Debt Service				
Principal	240,000	275,000	35,000	15%
Interest and Fiscal Fees	101,166	89,679	(11,487)	-11%
Total Expenditures	3,580,097	3,617,521	37,424	1%
Excess of Revenues Over (Under) Expenditures	366,711	1,037,026	670,315	183%
Other Financing Sources (Uses)				
Interfund Transfers In				
Primary Government	724,837	747,800	22,963	3%
Interfund Transfers (Out)				
Primary Government	(669,257)	(678,203)	(8,946)	1%
Component Unit	(275,573)	(314,672)	(39,099)	14%
Total Other Financing Sources (Uses)	(219,993)	(245,075)	(25,082)	11%
Beginning Fund Balance	1,157,542	1,304,260	146,718	13%
Ending Fund Balance	\$ 1,304,260	\$ 2,096,211	\$ 791,951	61%

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County's Funds

An analysis of the County's major funds is detailed in the Notes to the Financial Statements, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The County's major funds for 2007 include the General Fund, 911 Wireless Fund, Revenue Sharing Fund, Hospital Debt Fund and the 2006 Tax Payment Fund.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all County revenues and expenditures are recorded in the General Fund. The most significant are the general government and the public safety, which incurred expenses of \$1,528,274 and \$1,061,302, respectively, during 2007.

The County's total governmental revenues increased by approximately 21% primarily due to the increase in property taxes. The total governmental expenditures remained about the same as in the prior year.

General Fund Budgetary Highlights

Over the course of the year, the County Board amended the budget to take into account events during the year. The County's revenue budget was increased by \$202,797 (6% above the original budget) during fiscal year 2007. Actual General Fund revenue and other financing sources totaled \$4,038,806, which was \$259,710 above the final amended budget. The largest variances were: property taxes and charges for services.

The County's expenditure budget was increased by \$282,552 (9% over the original budget) during fiscal year 2007. Actual General Fund expenditures and other financing sources totaled \$3,317,736, which was \$274,470 below the final amended budget. The largest variances were: decreases to other functions (fringe benefits) that were distributed to the respective funds that had payroll.

Capital Asset and Debt Administration

At the end of 2007, the County had \$1,652,008 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this year included the purchase of a Live Scan Electronic Fingerprint computer, a lighted sign for the sheriff's department, a repeater radio as well as a Tahoe Wagon for the Jail and a used pickup for animal control. The total capital outlay was \$57,428.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt is classified as long-term if it matures in a period greater than one year. There was no new debt during the year. At the end of the current fiscal year, the County had total bonded debt outstanding of \$1,630,000 and vested employee benefits of \$136,310.

Economic Factors and Next Year's Budgets and Rates

The County has considered the following factor in preparing the 2008 fiscal year budget:

The one year change in wage and fringe benefit costs is 12%. Wages and fringe benefits are around 75% of the County budget and is considered carefully. Child care for the Probate Court is also an economic factor which the County considers while preparing the annual budget.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Baraga County Clerk's Office at 16 North Third Street, L'Anse, Michigan 49946.

Separately issued component unit financials statements for the Baraga County Road Commission and Baraga County Memorial Hospital can be obtained from their respective administrative offices as follows:

Baraga County Road Commission
Highway US 41
L'Anse, Michigan 49946

Baraga County Memorial Hospital
770 North Main Street
L'Anse, Michigan 49946

COUNTY OF BARAGA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2007

EXHIBIT A

December 31, 2007

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Units
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 2,112,625	\$ 206,863	\$ 2,319,488	\$ 3,383,892
Investments				114,691
Receivables (Net)				
Accounts				2,363,104
Notes and Advances to Affiliates				276,715
Estimated Third-Party Settlements Receivable				385,373
Delinquent Taxes	595,538	223,659	819,197	
Forfeiture Fees		330	330	
Due From State	87,999		87,999	316,940
Due From Federal				327,688
Due From Local Units of Governments	24,433		24,433	
Due From Other Funds--Primary Government			-	604,589
Inventories				532,086
Prepaid Expenses	45,882		45,882	274,062
Total Current Assets	2,866,477	430,852	3,297,329	8,579,140
Noncurrent Assets				
Due From Local Units of Governments				
Due Within One Year			-	85,000
Due in More Than One Year			-	2,210,000
Capital Assets--Net of Accumulated Depreciation	1,652,008		1,652,008	20,497,308
Total Assets	4,518,485	430,852	4,949,337	31,371,448
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	106,341	15,194	121,535	1,092,118
Driveway Snow Plowing Deposits			-	32,486
Due to Other Funds--Component Units	604,589		604,589	
Due to State	2,727		2,727	45,613
Accrued Liabilities	24,393		24,393	39,027
Estimated Third-Party Settlements Payable				77,748
Other Accrued Liabilities			-	1,579,159
Total Current Liabilities	738,050	15,194	753,244	2,866,151
Noncurrent Liabilities				
Deferred Revenue	32,216		32,216	
Bonds Payable--Due Within One Year	280,000		280,000	85,000
Bonds Payable--Due in More Than One year	1,350,000		1,350,000	2,210,000
Mortgage Payable--Due Within One Year			-	165,759
Mortgage Payable--Due in More Than One year			-	1,910,671
Loans Payable--Due Within One Year			-	306,162
Loans Payable--Due in More Than One Year			-	841,716
Installment Loan Payable--Due Within One Year			-	82,330
Vested Employee Benefits Payable	136,310		136,310	338,525
Total Noncurrent Liabilities	1,798,526	-	1,798,526	5,940,163
Total Liabilities	2,536,576	15,194	2,551,770	8,806,314
<u>NET ASSETS</u>				
Investment in Capital Assets--Net of Related Debt	877,008		877,008	17,190,670
Restricted for				
Debt Service	122,385		122,385	
Special Revenue Programs	1,252,756		1,252,756	
Act 302 Training	1,403		1,403	
Family Counseling	17,152		17,152	
County Roads			-	1,190,297
Department of Public Works			-	78
County Hospital			-	4,184,089
Unrestricted	(288,795)	415,658	126,863	
Total Net Assets	\$1,981,909	\$415,658	\$2,397,567	\$ 22,565,134

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

EXHIBIT B

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 1,558,757	\$ 334,764	\$ 334,565		\$ (889,428)		\$ (889,428)	
Public Safety	1,135,650	166,322	218,218	\$ 15,000	(736,110)		(736,110)	
Health and Welfare	402,224	977	60,562		(340,685)		(340,685)	
Community and Economic Development	105,207	18,619	80,492		(6,096)		(6,096)	
Recreation and Culture	4,000				(4,000)		(4,000)	
Other	94,407				(94,407)		(94,407)	
Interest on Long-Term Debt	89,679				(89,679)		(89,679)	
Total Governmental Activities	3,389,924	520,682	693,837	15,000	(2,160,405)	\$ -	(2,160,405)	
Business-Type Activities								
Delinquent Tax Funds Combined	11,938	68,549		-		56,611	56,611	
Total Business-Type Activities	11,938	68,549	-	-	-	56,611	56,611	
Total Primary Government	\$ 3,401,862	\$ 589,231	\$ 693,837	\$ 15,000	\$ (2,160,405)	\$ 56,611	\$ (2,103,794)	
Component Units								
Road Commission	\$ 2,566,347	\$ 456,541	\$ 2,131,784	\$ 3,489,166				\$ 3,511,144
Department of Public Works	139,411		138,601	-				(810)
County Hospital	22,179,561	21,338,582						(840,979)
Total Component Units	\$ 24,885,319	\$ 21,795,123	\$ 2,270,385	\$ 3,489,166	\$ -	\$ -	\$ -	\$ 2,669,355
General Revenues								
Property Taxes					\$ 3,364,112		\$ 3,364,112	\$ 316,999
Unrestricted Investment Earnings					60,916	\$ 14,566	75,482	71,456
Other Revenues					-		-	12,911
Special Item--Gain (Loss) on Disposal of Capital Assets							-	45,486
Transfers					(245,075)	\$ (69,597)	(314,672)	314,672
Total General Revenues--Special Items and Transfers					3,179,953	(55,031)	3,124,922	761,524
Change in Net Assets					1,019,548	1,580	1,021,128	3,430,879
Net Assets--Beginning					962,361	414,078	1,376,439	19,134,255
Net Assets--Ending					\$ 1,981,909	\$ 415,658	\$ 2,397,567	\$ 22,565,134

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2007**

EXHIBIT C

	General	911 Wireless	Revenue Sharing	Hospital Debt	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 112,736	\$ 238,352	\$ 882,082	\$ 607,239	\$ 272,216	\$ 2,112,625
Receivables						
Current Summer Taxes Receivable	595,538					595,538
Due From State	63,191	24,808				87,999
Due From Other Agencies	24,433					24,433
Prepaid Expense	45,882					45,882
Total Assets	\$ 841,780	\$ 263,160	\$ 882,082	\$ 607,239	\$ 272,216	\$ 2,866,477
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Accounts Payable	\$ 96,697	\$ 4,264			\$ 5,380	\$ 106,341
Due to Other Funds--Component Units				\$ 604,589		604,589
Due to Local Units						-
Due to State					2,727	2,727
Accrued Liabilities	24,013	240			140	24,393
Deferred Revenue					32,216	32,216
Total Liabilities	120,710	4,504	\$ -	604,589	40,463	770,266
Fund Balances						
Reserved for						
Debt Service				2,650	119,735	122,385
Act 302 Training	1,403					1,403
Family Counseling	17,152					17,152
Capital Projects						-
Unreserved--Undesignated	702,515	258,656	882,082		112,018	1,955,271
Total Fund Equity	721,070	258,656	882,082	2,650	231,753	2,096,211
Total Liabilities and Fund Equity	\$ 841,780	\$ 263,160	\$ 882,082	\$ 607,239	\$ 272,216	\$ 2,866,477

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
September 30, 2007

EXHIBIT C-1

Fund Balances--Total Governmental Funds	\$ 2,096,211
---	--------------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Add--Capital Assets	2,511,197
Deduct--Accumulated Depreciation	<u>(859,189)</u>
Net Capital Asset Addition	<u>1,652,008</u>

Certain liabilities, such as compensated absences, are not due and
payable in the current period. Therefore, they are not reported
in the fund's statement.

Deduct--Long-Term Debt	(1,630,000)
Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(136,310)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,981,909</u></u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

EXHIBIT D

	General	911 Wireless	Revenue Sharing	Hospital Debt	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Taxes and Penalties	\$ 2,512,269			\$ 484,482	\$ 367,361	\$ 3,364,112
Licenses and Permits	6,138					6,138
Federal Grants	56,311				84,532	140,843
State Grants	446,233	\$ 97,255			8,467	551,955
Charges for Services	402,122				12,200	414,322
Fines and Forfeits	7,488				2,000	9,488
Interest and Rentals	36,418	5,311	\$ 7,276	13,854	3,368	66,227
Other Revenue	71,382			10,728	19,352	101,462
Total Revenues	3,538,361	102,566	7,276	509,064	497,280	4,654,547
Expenditures						
Current						
General Government	1,510,871				17,403	1,528,274
Public Safety	997,090	64,212				1,061,302
Health and Welfare	151,394				250,830	402,224
Community and Economic Development	6,096				99,111	105,207
Recreation and Cultural	4,000					4,000
Other	94,407		-			94,407
Capital Outlay	39,878	17,550				57,428
Debt Service						
Principal				150,000	125,000	275,000
Interest and Fiscal Fees				44,392	45,287	89,679
Total Expenditures	2,803,736	81,762	-	194,392	537,631	3,617,521
Excess of Revenues Over (Under) Expenditures	734,625	20,804	7,276	314,672	(40,351)	1,037,026
Other Financing Sources (Uses)						
Interfund Transfers In						
Primary Government	233,800		458,000		56,000	747,800
Interfund Transfers (Out)						
Primary Government	(514,000)		(164,203)		-	(678,203)
Component Unit				(314,672)		(314,672)
Sale of Capital Assets				-		-
Total Other Financing Sources (Uses)	(280,200)	-	293,797	(314,672)	56,000	(245,075)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	454,425	20,804	301,073	-	15,649	791,951
Fund Balance (Deficit)--October 1, 2006	266,645	237,852	581,009	2,650	216,104	1,304,260
Fund Balance (Deficit)--September 30, 2007	\$ 721,070	\$ 258,656	\$ 882,082	\$ 2,650	\$ 231,753	\$ 2,096,211

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2007

EXHIBIT D-1

Net Change in Fund Balances--Total Governmental Funds \$ 791,951

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	57,428
Deduct--Depreciation Expense	(68,016)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	275,000
--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in the funds.

(36,815)

Change in Net Assets of Governmental Activities

\$ 1,019,548

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007**

EXHIBIT E

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	2006 Tax Funds	Non-Major Enterprise	Total Enterprise Funds
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 39,166	\$ 167,697	\$ 206,863
Delinquent Taxes Receivable	199,307	24,352	223,659
Due From Other Funds		219,000	219,000
Fees Receivable		330	330
Total Current Assets	238,473	411,379	649,852
Total Assets	238,473	411,379	649,852
<u>LIABILITIES</u>			
Current Liabilities			
Due to Other Funds--Primary Government	219,000		219,000
Fees Payable		15,194	15,194
Total Current Liabilities	219,000	15,194	234,194
<u>NET ASSETS</u>			
Unrestricted	19,473	396,185	415,658
Total Net Assets	\$ 19,473	\$ 396,185	\$ 415,658

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--ENTERPRISE FUNDS
For the Year Ended September 30, 2007

EXHIBIT F

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	2006 Tax Funds	Non-Major Enterprise	Total Enterprise Funds
Operating Revenues			
Interest and Penalties	\$ 19,473	\$ 49,076	\$ 68,549
Total Operating Revenues	19,473	49,076	68,549
Operating Expenses			
Administrative Expense		11,938	11,938
Total Operating Expenses	-	11,938	11,938
Operating Income (Loss)	19,473	37,138	56,611
Nonoperating Revenue			
Interest Earned on Deposits		14,566	14,566
Income (Loss) Before Transfers	19,473	51,704	71,177
Interfund Transfers			
Transfers (Out)--Primary Government		(69,597)	(69,597)
Change in Net Assets	19,473	(17,893)	1,580
Total Net Assets--October 1, 2006	-	414,078	414,078
Total Net Assets--September 30, 2007	\$ 19,473	\$ 396,185	\$ 415,658

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended September 30, 2007

EXHIBIT G

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	2006 Tax Fund	Non-Major Enterprise	Total
Cash Flows From Operating Activities			
Charges for Services	\$ 19,473	\$ 49,076	\$ 68,549
Delinquent Taxes Collected	276,613	248,510	525,123
Delinquent Taxes Purchased	(475,920)		(475,920)
Goods and Services Purchased		(11,938)	(11,938)
Net Cash Provided by Operating Activities	(179,834)	285,648	105,814
Cash Flows From Noncapital Financing Activities			
(Increase) or Decrease in Other Receivables		30	30
(Increase) or Decrease in Advances to Other Funds		97,000	97,000
Increase or (Decrease) in Other Payables		12,737	12,737
Increase or (Decrease) in Advances From Other Funds	219,000	(226,000)	
Transfers (Out)		(69,597)	(69,597)
Net Cash Flows From Noncapital Financing Activities	219,000	(275,830)	52,907
Cash Flows From Investment Activities			
Interest on Deposits	-	14,566	14,566
Net Increase in Cash and Cash Equivalents	39,166	24,384	173,287
Cash and Cash Equivalents--October 1, 2006	-	143,313	143,313
Cash and Cash Equivalents--September 30, 2007	\$ 39,166	\$ 167,697	\$ 206,863
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 19,473	\$ 37,138	\$ 56,611
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities			
(Increase) Decrease in Delinquent Taxes Receivable	(199,307)	248,510	49,203
Net Cash Provided by Operating Activities	\$ (179,834)	\$ 285,648	\$ 105,814

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
September 30, 2007**

EXHIBIT H

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 894,565</u>
Total Assets	<u><u>\$ 894,565</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to State of Michigan	\$ 770,097
Undistributed Penal Fines	8,867
Undistributed Interest	31
Undistributed Tax Collections	19,001
Other Trust Items Payable	<u>96,569</u>
Total Liabilities	<u><u>\$ 894,565</u></u>

COUNTY OF BARAGA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2007

EXHIBIT I

	GOVERNMENTAL		BUSINESS	
		Department	TYPE	
	Road	of	County	Total
	Commission	Public Works	Hospital	
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 930,392	\$ 78	\$ 2,453,422	\$ 3,383,892
Investments			114,691	114,691
Receivables (Net)	33,030		2,330,074	2,363,104
Notes and Advances to Affiliates			276,715	276,715
Estimated Third-Party Settlements Receivable			385,373	385,373
Due From State	316,940			316,940
Due From Federal	327,688			327,688
Due From Primary Government			604,589	604,589
Due From Village		47,950		47,950
Inventories	339,949		192,137	532,086
Prepaid Expenses	47,591		226,471	274,062
Total Current Assets	1,995,590	48,028	6,583,472	8,627,090
Noncurrent Assets				
Due From Local Units of Government				
Due Within One Year		85,000		85,000
Due in More Than One Year		2,210,000		2,210,000
Capital Assets (Net of Accumulated Depreciation)	14,633,088		5,864,220	20,497,308
Total Noncurrent Assets	14,633,088	2,295,000	5,864,220	22,792,308
Total Assets	16,628,678	2,343,028	12,447,692	31,419,398
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	349,101		743,017	1,092,118
Due to Villages		47,950		47,950
Due to State	45,613			45,613
Accrued Liabilities	39,027			39,027
Estimated Third-Party Settlements Payable			77,748	77,748
Driveway Snow Plowing Deposits	32,486			32,486
Other Accrued Liabilities	541		1,578,618	1,579,159
Total Current Liabilities	466,768	47,950	2,399,383	2,914,101
Noncurrent Liabilities				
Bonds Payable				
Due Within One Year		85,000		85,000
Due in More Than One Year		2,210,000		2,210,000
Installment Purchase Agreements Payable				
Due Within One Year	82,330			82,330
Mortgage Payable				
Due Within One Year			165,759	165,759
Due in More Than One Year			1,910,671	1,910,671
Loans Payable				
Due Within One Year			306,162	306,162
Due in More Than One Year			841,716	841,716
Vested Employee Benefits Payable	338,525			338,525
Total Noncurrent Liabilities	420,855	2,295,000	3,224,308	5,940,163
Total Liabilities	887,623	2,342,950	5,623,691	8,854,264
<u>NET ASSETS</u>				
Invested in Capital Assets--Net of Related Debt Restricted for	14,550,758		2,639,912	17,190,670
County Roads	1,190,297			1,190,297
Department of Public Works				
Debt Service		78		78
County Hospital			4,184,089	4,184,089
Total Net Assets	\$ 15,741,055	\$ 78	\$ 6,824,001	\$ 22,565,134

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended September 30, 2007**

EXHIBIT J

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Department of Public Works	County Hospital	Total
Governmental Activities								
Road Commission								
Public Works	\$ 2,562,256	\$ 456,541	\$ 2,131,784	\$ 3,489,166	\$ 3,515,235			\$ 3,515,235
Interest on Related Debt	4,091				(4,091)			(4,091)
Total Road Commission	2,566,347	456,541	2,131,784	3,489,166	3,511,144	\$ -	\$ -	3,511,144
Department of Public Works								
Public Works	22,810		138,601			115,791		115,791
Interest on Related Debt	116,601					(116,601)		(116,601)
Total Department of Public Works	139,411	-	138,601	-	-	(810)	-	(810)
Business-Type Activities								
County Hospital								
Health and Welfare	22,054,344	21,338,582					(715,762)	(715,762)
Interest on Related Debt	125,217						(125,217)	(125,217)
Total County Hospital	\$ 22,179,561	\$ 21,338,582	\$ -	\$ -	-	-	(840,979)	(840,979)
General Revenues								
Property Taxes					316,999			316,999
Investment Earnings							71,456	71,456
Other Revenues							12,911	12,911
Special Item--Gain on Sale of Capital Assets					45,486			45,486
Transfers							314,672	314,672
Total General Revenues, Special Items and Transfers					362,485	-	399,039	761,524
Change in Net Assets					3,873,629	(810)	(441,940)	3,430,879
Net Assets--Beginning of Year					11,867,426	888	7,265,941	19,134,255
Net Assets--End of Year					\$ 15,741,055	\$ 78	\$ 6,824,001	\$ 22,565,134

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Baraga County is a municipal corporation governed by an elected 5-member board of commissioners. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present Baraga County (the primary government) and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The component units, discussed in Note B, are included in the county's financial reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the Baraga County Board of Public Works, Baraga County Road Commission and the Baraga County Memorial Hospital. These financial statements are reported in separate columns to emphasize that they are legally separate from the county.

Baraga County Board of Public Works

Pursuant to Michigan Compiled Law (MCL) 123.732, the County of Baraga entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the county board of commissioners and under the immediate control of a Board of Public Works. The Board of Public Works is comprised of four (4) members, two county commissioners and two (2) members selected by the county board of commissioners. The Board of Public Works is considered an agency of the county. The board manages water supply and sanitary sewer system construction projects that are bonded by the County of Baraga. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Baraga County Board of Commissioners. Special assessments are levied by the local units of government on benefited properties and are forwarded to the county for payment of principal and interest. The combining financial statements for the Board of Public Works are presented as part of the discretely presented component units on Exhibits W through Z.

Road Commission

The Baraga County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected 3-member board of county road commissioners. The Road Commission may not issue debt or levy property taxes without the county board of commissioners' approval. The Road Commission's property taxes are levied under the taxing authority of the county, as approved by the county electors, are included as part of the county's total tax levy and are reported in the County Road Fund.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Memorial Hospital

The Baraga County Memorial Hospital (County Hospital) is a not-for-profit corporation established in accordance with Public Act 230 (County Health Facilities Corporation Act) of 1987. It is governed by the board of trustees, which is empowered to do all things necessary for the proper operation of the County Hospital. The county board of commissioners appoints the board of trustee members. The County Hospital is organized and operated to provide for the health care needs of the community. The primary health care services are acute inpatient, outpatient, and long-term skilled care.

The County Hospital is the sole member of Baraga County Extended Care Corporation (collectively referred to as the "Corporation") which is a not-for-profit corporation established in accordance with Public Act 230. Baraga County Extended Care Corporation has two divisions: Bayside Village, which owns and operates a 59 bed skilled nursing facility in L'Anse, Michigan; and Baraga County Home Helpers, which provides nonmedical services to home bound patients.

Complete audited or unaudited financial statements of the individual component units can be obtained from their respective administrative offices or from the county clerk's office at the courthouse.

Administrative Offices

Baraga County Clerk
13 North 3rd Street
L'Anse, Michigan 49946

Board of Public Works
13 North 3rd Street
L'Anse, Michigan 49946

Baraga County Road Commission
Highway US 41
L'Anse, Michigan 49946

Baraga County Memorial Hospital
770 North Main Street
L'Anse, Michigan 49946

Jointly Governed Organization--District Health Department

Baraga County, in conjunction with Gogebic, Houghton, Keweenaw, and Ontonagon Counties, has created the Western Upper Peninsula District Health Department under the authority of the Public Health Code. The District Health Board is composed of 2 members from each of the counties who are appointed by each participating county board of commissioners. All of the financial operations of the District Health Department are recorded in the records of Houghton County, as a discretely presented component unit. The funding formula approved by the member counties is based pro rata on each unit's population and State equalized valuation to the district's population and valuation. Member counties' percentages and dollar share of the net operating budget for the year 2007 were:

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>County</u>	<u>Percentage</u>	<u>Dollar Share</u>
Baraga	12.3%	\$ 49,144
Gogebic	25.3%	101,084
Houghton	44.3%	176,998
Keweenaw	5.3%	21,176
Ontonagon	12.3%	51,141
Total	<u>100%</u>	<u>\$399,543</u>

Baraga County's 2007 actual appropriation to the District Health Department was \$49,144. An additional \$3,646 was appropriated for the Health Department's share of the 2006 State-shared cigarette tax revenues.

Jointly Governed Organization--Community Mental Health Authority

Baraga County, in conjunction with Houghton, Keweenaw and Ontonagon Counties, has created the Copper Country Mental Health Services Board, which is a Community Mental Health Organization defined in the Mental Health Code (Code), MCL 330.1001, et seq., as amended. During 1996, the jointly created board became a Community Mental Health Authority under Section 205 of the Code in accordance with the Urban Cooperation Act. The Copper Country Community Mental Health Services Authority Board is composed of 12 members who are apportioned between the member counties on the basis of population and whose board appointments are approved by their respective county board of commissioners. All of the financial operations of the Mental Health Authority are recorded in the records of Houghton County, as a discretely presented component unit. The funding of the Community Mental Health Authority operations by the member counties is based on an agreement between the Community Mental Health Board and member counties, which provides for single annual appropriations to provide for State institution inpatient costs and community mental health program costs.

The board approved member county appropriations for the Community Mental Health Authority's fiscal year ended September 30, 2007 were as follows:

Baraga	\$ 33,795
Houghton	164,495
Keweenaw	8,500
Ontonagon	<u>48,814</u>
Total	<u>\$255,604</u>

Baraga County's appropriation to the District Mental Health Board for the county's fiscal year ended September 30, 2007 was \$33,795.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

The county reports the following major governmental funds:

The General Fund is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 911 Wireless Fund accounts for the state wireless surcharge used to support the 911 service provided by the county.

The Revenue Sharing Fund is the funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax mileage from a winter tax levy to a summer tax levy over a three year period.

The Hospital Debt Fund accounts for the bond activity related to the County Hospital.

The county reports the following major proprietary funds:

The 2006 Tax Payment Fund accounts for the county's annual purchase of delinquent real property taxes from each of the local taxing units within the county and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the county's issuance of debt when needed (to provide cash flow for the purchase of the taxes) and for the resulting debt service payment.

Additionally, the county reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The county has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Delinquent Tax Fund are collection fees for delinquent taxes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the county's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value based on quoted market prices.

Current Winter Property Taxes

Most county property taxes are levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st.

The 2006 State equalized valuation of Baraga County amounted to \$283,602,138 and the taxable valuation is \$188,261,493, on which ad valorem taxes of 5.7334 mills were levied for county operating purposes in the summer of 2006 in accordance with the provisions of Michigan Public Act 357 of 2004 resulting in a total of \$900,268 being recorded as summer tax revenues in the September 30, 2006 financial statements. The county's winter tax levy consisted of 2.8666 mills for county operating purposes; .9760 mill for senior citizens programs; 2.00 mills for Road Commission and Villages of Baraga and L'Anse road and street maintenance and improvements; 2.50 mills for County Hospital bond debt and capital improvements; and .8787 mills for county jail bond debt. In addition, specific taxes are levied under the Commercial Forest Reserve Act, payments in-lieu-of taxes on properties belonging to native Americans are received from the Keweenaw Bay Tribal Council, and some of the county taxes are captured by the downtown development authorities of the Villages of Baraga and L'Anse. The current tax revenues reflected in the county's 2007 financial statements consist of the amount of the 2006 tax levy collected in addition to the Commercial Forest Reserve taxes, less taxes captured by the downtown development authorities.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Summer Property Taxes Receivable

In accordance with the provisions of Michigan Public Act 357 of 2004, the county levied 8.434 mills on the county's 2007 taxable valuation of \$202,548,899 in the summer of 2007. The total levy amount, less estimated amounts captured by the Baraga and L'Anse Village DDA's, amounted to \$1,655,449 which is recorded as 2007 General Fund current summer tax collection.

TAXES RECEIVABLE--DELINQUENT

Enterprise Funds

The delinquent taxes receivable of \$223,659, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Baraga County by the County's 100 Percent Tax Payment Funds for the years 2004, \$723; 2005, \$23,629; and 2006, \$199,307. Effective with the 2001 tax levy, the county began financing the purchase of delinquent real property taxes with advances from the General Fund and other 100 Percent Tax Payment Funds. Accordingly, none of the delinquent taxes are pledged for the payment notes.

INVENTORIES

Road Commission (Component Unit)

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs, and operations as used.

County Hospital (Component Unit)

Hospital Operating Fund inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT

Capital Assets--Primary Government and Drain Component Unit

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	30 to 50 years
Office Furniture and Equipment	3 to 10 years
Vehicles	5 to 10 years

Capital Assets--Road Commission (Component Unit)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the Baraga County Road Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 makes it optional for phase III governments (Baraga County) to record major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, and that they be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Baraga County Road Commission has capitalized the current year's infrastructure starting in 2004, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission will retroactively capitalize the major infrastructure assets on or before September 30, 2008, as permitted by GASB Statement No. 34.

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County Hospital (Component Unit)

Hospital Operating Fund property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over estimated useful lives of related assets. Cost of maintenance and repairs are charged to expense as incurred.

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	10 to 50 years
Equipment	3 to 20 years
Land Improvements	10 to 20 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Compensated Absences (Vacation and Sick Leave)

It is the county's policy to permit employees to accumulate earned unused sick and vacation pay benefits. The liability for unpaid accumulated sick leave is only 50% of the time available according to the county's union contracts and personnel policies. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Patient Service Revenue--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursable costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs.

Estimated Third-Party Settlements--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. The County Hospital receives approximately 84% of net patient service revenue under agreements with third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

Medicare--The County Hospital is designated as a critical access hospital under Medicare regulations. As such, the Hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries. Long-term care services are reimbursed at prospectively determined rates per patient day.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Medicaid--Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. The County Hospital is reimbursed for outpatient services on an established fee-for-service methodology. Long-term care services are reimbursed at established per diem rates plus cost for allowable ancillary services.

Blue Cross--Services rendered to Blue Cross subscribers are reimbursed at controlled charges.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the County Hospital's financial statements.

Charity Care--County Hospital (Component Unit)

The County Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the County Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care amounts to less than one percent of patients served.

Tax Status--County Hospital (Component Unit)

The County Hospital is tax exempt under the Internal Revenue Code, and accordingly, no tax provision is reflected in the financial statements.

Principles of Combination--County Hospital (Component Unit)

The County Hospital's financial statements include the combined accounts of Baraga County Memorial Hospital and its subsidiary, Baraga County Extended Care Corporation. All material intercompany balances and transactions have been eliminated.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, which requires the county board of commissioners to approve budgets for the General and special revenue funds. The County Road Fund (special revenue--component unit) budget is adopted and administered by the board of county road commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budgets are adopted at the activity level and control is exercised at that level. The county board of commissioners has authorized the county's chief administrative officer (county clerk) to make General Fund budget transfers between activities in September, when necessary, without increasing the overall budget and with the transfers to be subsequently presented to the board for their review and approval. Also, the board of county road commissioners has authorized its chief administrative officer to amend the County Road Fund budget when necessary by transferring up to 20% from one activity to another.

The budgeted revenues and expenditures for governmental fund types, as presented in the accompanying exhibits, include any authorized amendments to the original budget as adopted.

NOTE C--CASH AND INVESTMENTS

Primary Government and Component Units (Except County Hospital)

Deposits are carried at cost. Deposits of the county are at various banks in the name of the county treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 20 of 1943, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The county's deposits are in accordance with statutory authority.

The county has designated five financial institutions within the county for deposit of county funds. The investment policy adopted by the board is in accordance with Public Act 20 of 1943, as amended, and includes all of the above investments.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

The risk disclosures for the county's deposits at September 30, 2007 for the county and the hospital, respectively, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	<u>\$2,112,625</u>	<u>\$206,863</u>	<u>\$894,565</u>	<u>\$3,214,053</u>	<u>\$3,383,892</u>
Total	<u><u>\$2,112,625</u></u>	<u><u>\$206,863</u></u>	<u><u>\$894,565</u></u>	<u><u>\$3,214,053</u></u>	<u><u>\$3,383,892</u></u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$3,213,428	\$3,383,792
Petty Cash and Cash on Hand	625	100
Investments	<u>114,691</u>	<u>114,691</u>
Total	<u><u>\$3,214,053</u></u>	<u><u>\$3,498,583</u></u>

The bank balance of the primary government's deposits is \$3,292,300, of which \$510,010 is covered by Federal depository insurance. The component units' deposits had a bank balance of \$3,256,785 of which \$442,022 was covered by Federal depository insurance.

Investments Authorized by the County's Investment Policy

The county's investment policy only authorizes investment in all those that are authorized by law and have limited their investments to money markets.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the county manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

The investment policy of the county contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Component Unit--County Hospital

The County Hospital's cash and investments are subject to several types of risk which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The local government does not have a deposit policy for custodial credit risk. At September 30, 2007, the County Hospital had \$2,331,815 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The County Hospital believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County Hospital evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest risk is the risk that the value of investments will decrease as a result of a risk in interest rates. The County Hospital's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

COUNTY OF BARAGA
NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Government Obligations Fund	\$ 114,691	1 month

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County Hospital has no investment policy that would further limit its investment choices. As of year end, the credit ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Organization</u>
Government Obligations Fund	\$ 114,691	AAA	Fitch

NOTE D--ACCOUNTS RECEIVABLE

Road Commission (Component Unit)

The accounts receivable of the County Road Fund consist primarily of charges to other governmental agencies, businesses, and individuals for services and materials provided by the Road Commission on a cost reimbursement basis. All accounts are current and collectible.

County Hospital (Component Unit)

The Hospital Operating Fund accounts receivable balances, at their fiscal year ended September 30, 2007, may be summarized as follows:

Patient Accounts Receivable	\$ 4,764,891
Less: Allowance for Uncollectible Accounts	(810,309)
Allowance for Contractual Adjustments and Interim Payment Advances	<u>(1,665,959)</u>
Patient Accounts Receivable--Net	2,288,623
Other Accounts Receivable	<u>41,451</u>
Total Accounts Receivable	<u>\$ 2,330,074</u>

COUNTY OF BARAGA
NOTES TO FINANCIAL STATEMENTS

NOTE E--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>		<u>Fund</u>	<u>Interfund Payable</u>
Non-Major Enterprise Funds	<u>\$ 219,000</u>	(a)	2006 Tax Revolving	<u>\$219,000</u>
Total Primary Government	<u><u>\$ 219,000</u></u>			<u><u>\$219,000</u></u>
Component Unit Hospital	<u>\$ 604,589</u>		Primary Government Hospital Bond Debt	<u>\$604,589</u>
	<u><u>\$ 604,589</u></u>			<u><u>\$604,589</u></u>

(a) \$219,000 is not shown on Exhibit D because it was eliminated in accordance with GASB No. 34 provisions.

The operating transfers can be classified as follows:

<u>Fund</u>	<u>Transfers In</u>		<u>Fund</u>	<u>Transfers (Out)</u>
Primary Government General	<u>\$233,800</u>		Primary Government Revenue Sharing Non-Major Enterprise Fund	<u>\$ 164,203 69,597</u>
Subtotal	<u><u>233,800</u></u>			<u><u>233,800</u></u>
Nonmajor Governmental Revenue Sharing	<u>56,000 458,000</u>		General	<u>514,000</u>
Subtotal	<u><u>514,000</u></u>			<u><u>514,000</u></u>
Total Primary Government	<u><u>\$747,800</u></u>		Total Primary Government	<u><u>\$747,800</u></u>
Component Unit Hospital	<u>\$314,672</u>		Primary Government Hospital Bond Debt	<u>\$314,672</u>
	<u><u>\$314,672</u></u>			<u><u>\$314,672</u></u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE F--RESERVE FOR SELF-INSURANCE

Road Commission--(Component Unit)

The Baraga County Board of Road Commissioners' policy is to self-insure for fleet collision coverage and employee group life coverage. The Collision Insurance Reserve Account was established in 1969 and the Life Insurance Reserve Account in 1982. The reserve accounts are funded by annual transfers of amounts equal to what the approximate premium would be on the respective coverage, plus interest earned on interest-bearing deposits of the reserve account. The Road Commission's policy provides that the transfers of premium amounts will be discontinued when the annual interest earnings on the reserve account is greater than the estimated premium cost. All collision repair costs on road equipment and group life benefit payments are expended when paid and closed to the respective reserve account at year end.

	Collision Insurance Reserve	Life Insurance Reserve	Total Self-Insurance Reserve
Balance--October 1, 2006	\$ 154,651	\$ 74,515	\$229,166
Additions			
Interest Earned	<u>2,326</u>	<u>1,122</u>	<u>3,448</u>
Balance--September 30, 2007	<u><u>\$156,977</u></u>	<u><u>\$ 75,637</u></u>	<u><u>\$232,614</u></u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Account Balances 09/30/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 238,000			\$ 238,000
Subtotal	238,000	\$ -	\$ -	238,000
Capital Assets Being Depreciated				
Land Improvements	42,000			42,000
Buildings and Building Improvements	1,976,734			1,976,734
Equipment	46,198	39,228		85,426
Vehicles	150,837	18,200		169,037
Total	2,215,769	57,428	-	2,273,197
Less Accumulated Depreciation				
Land Improvements	32,200	1,400		33,600
Buildings and Building Improvements	619,168	42,822		661,990
Equipment	17,205	10,386		27,591
Vehicles	122,600	13,408		136,008
Total	791,173	68,016	-	859,189
Net Capital Assets Being Depreciated	1,424,596	57,428	68,016	1,414,008
Total Net Capital Assets	<u>\$ 1,662,596</u>	<u>\$ 57,428</u>	<u>\$ 68,016</u>	<u>\$ 1,652,008</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 19,165
Public Safety	<u>48,851</u>
Total Depreciation Expense	<u>\$ 68,016</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Road Commission--Discretely Presented Component Unit

	Account Balances 10/01/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 106,277			\$ 106,277
Infrastructure--Land Improvements	5,052,719	\$ 1,409,702		6,462,421
Subtotal	5,158,996	1,409,702	\$ -	6,568,698
Capital Assets Being Depreciated				
Buildings	495,326			495,326
Road Equipment	5,252,746	306,770	582,937	4,976,579
Shop Equipment	104,461	1,690	785	105,366
Office Equipment	131,222	11,391	8,184	134,429
Engineers' Equipment	103,559	4,394		107,953
Stockroom Equipment	42,185	9,132	2,186	49,131
Depletable Assets	53,083			53,083
Infrastructure--Bridges	3,579,104	707,424		4,286,528
Infrastructure--Roads	1,430,375	1,638,609		3,068,984
Total	11,192,061	2,679,410	594,092	13,277,379
Less Accumulated Depreciation				
Buildings	313,990	11,016		325,006
Road Equipment	4,502,195	317,013	580,917	4,238,291
Shop Equipment	82,148	4,950	785	86,313
Office Equipment	51,973	13,719	7,914	57,778
Engineers' Equipment	65,409	7,245		72,654
Stockroom Equipment	35,436	2,863	2,110	36,189
Depletable Assets	53,084			53,084
Infrastructure--Bridges	85,992	98,352		184,344
Infrastructure--Roads	83,181	76,149		159,330
Total	5,273,408	531,307	591,726	5,212,989
Net Capital Assets Being Depreciated	5,918,653	2,679,410	533,673	8,064,390
Total Net Capital Assets	<u>\$ 11,077,649</u>	<u>\$ 4,089,112</u>	<u>\$ 533,673</u>	<u>\$ 14,633,088</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Road Commission--Discretely Presented Component Unit

Depreciation expense was charged to programs of the Road Commission as follows:

Net Equipment Expense	
Direct Equipment	\$ 317,013
Indirect Equipment	18,014
Net Administrative Expenses	
Office	13,719
Engineering	7,245
Building	815
Infrastructure Depreciation	<u>174,501</u>
Total Depreciation Expense	<u><u>\$ 531,307</u></u>

County Hospital--Discretely Presented Component Unit

	Account Balances 09/30/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Not Being Depreciated				
Land	<u>\$ 153,337</u>			<u>\$ 153,337</u>
Subtotal	<u>153,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>153,337</u>
Capital Assets Being Depreciated				
Land Improvements	599,518			599,518
Buildings	12,036,130			12,036,130
Equipment	4,992,285	70,475	2,290	5,060,470
Construction in Progress				
Total	<u>17,627,933</u>	<u>70,475</u>	<u>2,290</u>	<u>17,696,118</u>
Less Accumulated Depreciation				
Land Improvements	289,590	42,091		331,681
Buildings	7,056,978	577,222		7,634,200
Equipment	<u>3,546,750</u>	<u>474,894</u>	<u>2,290</u>	<u>4,019,354</u>
Total	<u>10,893,318</u>	<u>1,094,207</u>	<u>2,290</u>	<u>11,985,235</u>
Net Capital Assets Being Depreciated	<u>6,734,615</u>	<u>70,475</u>	<u>1,094,207</u>	<u>5,710,883</u>
Total Net Capital Assets	<u><u>\$ 6,887,952</u></u>	<u><u>\$ 70,475</u></u>	<u><u>\$ 1,094,207</u></u>	<u><u>\$ 5,864,220</u></u>

COUNTY OF BARAGA
NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

County Hospital--Discretely Presented Component Unit

Depreciation expense was \$1,094,207 for the year ended September 30, 2007.

NOTE H--LONG-TERM DEBT

Primary Government

The general long-term debt and other general long-term obligations of Baraga County, and changes therein, may be summarized as follows:

	<u>Balance 10/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 09/30/07</u>	<u>Due Within One Year</u>
<u>Primary Government</u>				
1998 Hospital Improvement Refunding Bonds maturing serially in annual amounts ranging from \$10,000 to \$185,000 at interest ranging from 4.10% to 4.80%	\$ 1,005,000	\$ (150,000)	\$ 855,000	\$ 155,000
1997 Jail Building Bonds maturing serially in annual amounts ranging from \$25,000 to \$175,000 at interest ranging from 4.65% to 7.5%	900,000	(125,000)	775,000	125,000
Accrued Employee Benefits Payable County General Employees (See Note I)	<u>99,495</u>	<u>36,815</u>	<u>136,310</u>	
Total Primary Government	<u><u>\$ 2,004,495</u></u>	<u><u>\$ (238,185)</u></u>	<u><u>\$ 1,766,310</u></u>	<u><u>\$ 280,000</u></u>
<u>Component Unit--Board of Public Works</u>				
1979 DPW Sanitary Sewer System No. 2 Bonds maturing serially in annual amounts ranging from \$20,000 to \$70,000 at 5% interest	\$ 695,000	\$ (60,000)	\$ 635,000	\$ 65,000
2002 DPW Sanitary Sewer System Bonds maturing serially in annual amounts ranging from \$16,000 to \$95,000 at 4.5% interest	<u>1,680,000</u>	<u>(20,000)</u>	<u>1,660,000</u>	<u>20,000</u>
Total Component Unit--Board of Public Works	<u><u>\$ 2,375,000</u></u>	<u><u>\$ (80,000)</u></u>	<u><u>\$ 2,295,000</u></u>	<u><u>\$ 85,000</u></u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

<u>Component Unit--Road Commission Installment Purchase Agreement</u>	<u>Balances 10/1/2006</u>	<u>Additions (Reductions)</u>	<u>Balances 9/30/2007</u>	<u>Due Within One Year</u>
Payable to Commercial National Bank for One Used Caterpillar Wheel Loader	\$ 141,589	\$(141,589) 60,015	- \$ 60,015	\$ 60,015
Payable to De Lage Landen Financial Services Software System	47,741	(25,426)	22,315	22,315
State Infrastructure Bank (SIB) Loan	275,000	(275,000)	-	
Vested Employee Benefits Payable				
Vacation Benefits	85,340	10,976	96,316	
Sick Leave Benefits	233,195	9,014	242,209	
Total	<u>\$ 782,865</u>	<u>\$(362,010)</u>	<u>\$ 420,855</u>	<u>\$ 82,330</u>

Component Unit--County Hospital

Mortgage note is due in monthly payments of \$20,000, including interest at 3.7% through January 2009. Thereafter, the monthly payment will be recomputed with interest at prime rate, as determined by the Wall Street Journal, plus 1.25% over the remaining life of the loan, which matures June 2018. This note is collateralized by substantially all assets of the Hospital Corporation. The proceeds from this note were used to refinance the above mortgage note.

\$ 2,236,379	\$ (159,949)	\$ 2,076,430	\$ 165,759
--------------	--------------	--------------	------------

Bank note is due in monthly payments of \$19,500, including interest at 3.7% through January 2009. Thereafter, the monthly payment will be recomputed with interest at prime rate, as determined by the Wall Street Journal, plus 1.25% over the remaining life of the loan, which matures March 2004. This note is collateralized by substantially all assets of the Hospital. The proceeds from this note were used to refinance the bank note, equipment notes and mortgage that follows.

1,046,292	(198,626)	847,666	206,020
-----------	-----------	---------	---------

Bank note is due in monthly payments of \$8.929, including interest at a variable rate of base savings rate, as determined by Commercial National Bank of L'Anse, Michigan, plus 1.25%, an effective rate of 2.75% at September 30, 2005. This note matures on August 25, 2010 and is collateralized by a savings account required on an annual basis to match payoff on the loan.

397,660	(97,448)	300,212	100,142
---------	----------	---------	---------

Total	<u>\$ 3,680,331</u>	<u>\$ (456,023)</u>	<u>\$ 3,224,308</u>	<u>\$ 471,921</u>
-------	---------------------	---------------------	---------------------	-------------------

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Primary Government

1998 Baraga County Memorial Hospital Improvement Refunding Bonds

The 1998 Baraga County Memorial Hospital Improvement Refunding Bonds are general obligation limited tax bonds which were sold for the purpose of providing funds to redeem \$1,370,000 of those 1991 Baraga County Memorial Hospital Improvement Bonds which were due in the years 2002 through 2011. The bonds are secured by a pledge of the extra voted 2.5 mills approved by the voters of Baraga County on October 2, 1990 to provide the money required to meet the principal and interest on these bonds.

<u>Fiscal Year</u>	<u>April 1 Interest</u>	<u>October 1</u>		<u>Total</u>
		<u>Interest</u>	<u>Principal</u>	
2008	\$ 16,718	\$ 20,321	\$ 155,000	\$ 192,039
2009	12,840	16,718	165,000	194,558
2010	8,760	12,840	170,000	191,600
2011	4,440	8,760	180,000	193,200
2012		4,440	185,000	189,440
	<u>\$ 42,758</u>	<u>\$ 63,079</u>	<u>\$ 855,000</u>	<u>\$ 960,837</u>

1997 Jail Building Bonds

The 1997 Baraga County Jail Bonds are general obligation unlimited tax bonds which were sold for the purpose of building a new jail. The bonds are secured by a pledge of the extra voted mills approved by the voters of Baraga County on August 6, 1996 to provide the money required to meet the principal and interest on these bonds.

<u>Fiscal Year</u>	<u>October 1 Interest</u>	<u>April 1</u>		<u>Total</u>
		<u>Interest</u>	<u>Principal</u>	
2008	\$ 19,375	\$ 19,375	\$ 125,000	\$ 163,750
2009	16,250	16,250	150,000	182,500
2010	12,500	12,500	150,000	175,000
2011	8,750	8,750	175,000	192,500
2012	4,375	4,375	175,000	183,750
	<u>\$ 61,250</u>	<u>\$ 61,250</u>	<u>\$ 775,000</u>	<u>\$ 897,500</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Component Unit--Board of Public Works

1979 DPW Sewage System #2 Bonds

The 1979 DPW Sewage System #2 Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.6%) and L'Anse Township (16.4%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds.

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2008	\$ 15,875	\$ 15,875	\$ 65,000	\$ 96,750
2009	14,250	14,250	65,000	93,500
2010	12,625	12,625	70,000	95,250
2011	10,875	10,875	65,000	86,750
2012	9,250	9,250	65,000	83,500
2013-2017	21,875	21,875	305,000	348,750
	<u>\$ 84,750</u>	<u>\$ 84,750</u>	<u>\$635,000</u>	<u>\$804,500</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

2002 DPW Sewage System Improvements Bonds

The 2002 DPW Sanitary Sewage System Improvements Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.56%) and L'Anse Township (16.44%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds. The total bond issue approved by the U.S. Department of Agriculture, Rural Development is \$1,750,000. As of September 30, 2004, a total of \$1,728,000 of this bond issue has been drawn down for the sewage system improvement project with interest payable at 4.5% per annum with interest payable semi-annually. During September 30, 2005, the final draw down was received in the amount of \$22,000 bringing the bond issue total to \$1,750,000. There is no set interest schedule printed for bond issues because it changes based upon when the payment is delivered to the USDA.

<u>Fiscal Year</u>	<u>July 1 Principal</u>
2008	\$ 20,000
2009	21,000
2010	22,000
2011	23,000
2012	24,000
2013-2014	51,000
2015-2019	152,000
2020-2024	188,000
2025-2029	235,000
2030-2034	293,000
2035-2039	366,000
2040-2042	265,000
	<u>\$ 1,660,000</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Component Unit--Road Commission

Installment Purchase Contracts

The installment purchase contract was entered into on September 5, 2007 for the purchase of one used 1999 Caterpillar Wheel Loader from Commercial National Bank. The agreement bears interest at 5.363% per annum with 12 monthly payments of \$5,147.73 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$ 60,015</u>	<u>\$1,758</u>	<u>\$61,773</u>
Total	<u><u>\$ 60,015</u></u>	<u><u>\$1,758</u></u>	<u><u>\$61,773</u></u>

An installment purchase contract was entered into on May 5, 2005 for the purchase of a new software system for a total cost of \$75,642 from De Lage Landen Financial Services, Inc. The agreement bears interest at 5.82% per annum with 36 monthly payments of \$2,289.84 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$22,315</u>	<u>\$ 584</u>	<u>\$22,899</u>
Total	<u><u>\$22,315</u></u>	<u><u>\$ 584</u></u>	<u><u>\$22,899</u></u>

The County Hospital's long-term liabilities are summarized as follows:

The following is a schedule, by years, of debt principal and interest as of September 30, 2007.

	<u>Principal</u>	<u>Interest</u>
2008	\$ 471,921	\$109,231
2009	489,012	92,140
2010	497,479	74,744
2011	391,533	58,348
2012	192,255	47,745
2013-2018	<u>1,182,108</u>	<u>124,967</u>
	<u><u>\$3,224,308</u></u>	<u><u>\$507,175</u></u>

In connection with the bank notes payable, the corporation has agreed to certain covenants including submission of monthly financial statements to the banks, limitation on additional debt, and maintenance of certain financial ratios.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES

The County and the Road Commission (component unit) have an accrued liability to their employees for accumulated vested vacation and sick leave benefits that are recorded in the long-term debt at September 30, 2007.

County Hospital (Component Unit)

The accrued liability for compensated absences of the County Hospital employees is charged to operations when it is earned. Unused benefits are recorded as current liabilities on the County Hospital financial statements.

VACATION BENEFIT POLICIES

County General Employees

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on an employee's years of service. The annual vacation benefits earned by each employee are credited on his or her employment anniversary date. Employees are required to use their vacation benefits within 1 year.

Road Commission (Component Unit) Employees

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of an employee. The amount of vacation time accrued by December 31st of the current year shall be taken off the following year.

SICK LEAVE BENEFIT POLICIES

County General Employees

The county's employment policies provide for sick leave benefits to be earned at the rate of 1 day per month for full-time employees and 1/2 day per month for half-time employees, with a maximum accumulation of 120 days. An employee may use sick days for personal days at the rate of 2 sick for 1 personal; this may be done twice a year, regardless of the total sick days accumulated. After 48 sick days have been accumulated, with the approval of the department head, an employee may trade sick days on a 2-to-1 ratio for personal days.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

When county general employees separate from employment, for whatever reason, they are paid at their current pay rate for accumulated sick days up to a maximum payment of 60 days, determined on the basis of total years of employment with the county as follows:

- | | |
|---|-------------|
| a) Starting date through the end of 10th year of employment | 50 percent |
| b) First day of 11th employment year to termination of employment | 100 percent |

Road Commission (Component Unit) Employees

The Road Commission employment policies provide for sick leave benefits to accumulate at the rate of 1 day per month for all regular employees who have worked more than 1/2 of the normal working hours during the month. There is no limit on accumulation of sick leave and accumulated benefits shall be paid at the employee's prevailing rate of pay in accordance with the following policy:

- a) Retirement or Death--An employee shall receive pay in a lump sum for accumulated sick leave at the following rate: 100% of the first 120 days and 50% of the remainder.
- b) Resignation--An employee shall receive pay in a lump sum for accumulated vested sick leave computed as follows:

0 to 5 years	No sick leave benefits
5 to 10 years	50% of accumulated benefits
10 to 15 years	75% of the first 120 days and 50% of the remainder
15 or more years	100% of the first 120 days and 50% of the remainder

The sick leave benefits liability recorded in long-term debt reflects only those vested benefits which would be payable if an employee terminates employment.

NOTE J--RISK MANAGEMENT

The County, Road Commission (component unit), and Memorial Hospital (component unit) are exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees.

County General

The county board of commissioners has purchased commercial insurance for property, liability, errors and omissions, medical benefit claims, and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE J--RISK MANAGEMENT (Continued)

Road Commission (Component Unit)

The Road Commission has purchased commercial insurance for medical benefit claims, self-insures for fleet collision, and employee group life coverage as detailed in Note H. It also participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial and pool insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool), pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Baraga County Road Commission became a member of the Pool in 1980 for workers' compensation insurance and in 1984 for liability and property coverage.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

County Hospital (Component Unit)

The County Hospital is exposed to various risks of loss related to property loss, errors and omissions, employee injuries (workers' compensation), and professional liability claims as well as medical benefits provided to employees. The County Hospital has purchased commercial insurance for property loss, torts, and errors and omissions and participates in the Michigan Hospital Association Risk Pool for claims related to employee injuries (workers' compensation) and unemployment. Effective October 1, 2004, the County Hospital became self-insured for medical benefits provided to employees. The County Hospital has purchased a stop-loss insurance policy to cover individual medical claims in excess of \$50,000. Settled claims relating to commercial insurance have not exceeded the amount of insurance in any of the past three years.

The Michigan Hospital Association Risk Pool program operates as a common risk-sharing management program for hospitals in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

The County Hospital estimates the liability for medical claims that have been incurred through the end of the fiscal year, including both claims that have been reported as well as those that have not yet been reported. These estimates are recorded as a current liability.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE J--RISK MANAGEMENT (Continued)

Changes in the estimated liability for the year ended September 30, 2007, is a follows:

Estimated Liability--Beginning of Year	
Estimated Claims Incurred, Including Changes in Estimates	\$ 1,144,982
Claim Payments	<u>1,144,982</u>
Estimated Liability--End of Year	<u>\$ -</u>

The County Hospital is also insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the County Hospital must pay a deductible toward the costs of litigating or settling any asserted claims. In addition, the County Hospital bears the risk of the ultimate cost of any individual claims exceeding the policy limits for claims asserted in the policy year. As of September 30, 2007, there was no accrual recorded for this contingency.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

NOTE K--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT

Plan Description

Baraga County is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death allowance, duty-connected death allowance and post-retirement adjustments to plan members and their beneficiaries. The county service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation for the General County Employees and the Sheriff's Department. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended (MCL 46.12a) State of Michigan. MERS is regulated under Public Act 220 of 1996, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining units. The county's pension contributions were 13.53% and 11.59% of covered payroll for the year 2006 for the general county employees and sheriff's department, respectively.

Annual Pension Cost

For the calendar year ended December 31, 2006, the county's pension cost was \$136,082 which was equal to the county's required and actual contributions. The required pension contributions for the year 2006 was determined as part of an actuarial valuation at December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 135,528	100%	\$0
2005	136,502	100%	0
2006	136,082	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percent of Covered Payroll</u>
12/31/04	\$ 3,174,294	\$ 3,726,248	\$ (551,954)	85%	\$ 995,770	55%
12/31/05	3,351,828	4,023,122	(671,294)	83%	1,029,939	65%
12/31/06	3,566,078	4,613,880	(1,047,802)	77%	978,434	107%

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE L--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT)

Description of Plan and Plan Assets

The Baraga County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended (MCL 46.12a) State of Michigan. The MERS actuarial report was made in accordance with generally recognized actuarial methods in compliance with Public Act 220 of 1996, as amended, and the MERS plan document as revised. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 16.19% for the calendar year ending December 31, 2006.

Annual Pension Cost

During the calendar year ended December 31, 2006, the Road Commission's contributions totaling \$172,377 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE L--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT) (Continued)

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$127,965	100%	\$0
2005	149,244	100%	0
2006	172,377	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/04	\$4,197,945	\$5,855,691	\$1,657,746	72%	\$1,035,844	160%
12/31/05	4,200,480	6,245,601	2,045,121	67%	1,068,489	191%
12/31/06	4,263,471	6,569,030	2,305,559	65%	992,998	232%

Significant actuarial assumptions used include:

- 1) Long-term investment yield rate of 8%;
- 2) Annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases; and
- 3) Base inflation of 4.5%.

NOTE M--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT)

Plan Description

The County Hospital sponsors both a defined benefit plan and a defined contribution plan. The County Hospital participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the County Hospital. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Road, Lansing, Michigan, 48917.

Funding Policy

Benefit provisions of the MERS, and employer and employee obligations to contribute are outlined in Public Act 427 of 1984, as amended. Pension expenses consist of normal costs of the plan and amortization of investment gains over a 10-year period.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE M--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT) (Continued)

Annual Pension Cost

The County Hospital's contributions to the plan amounted to \$517,060 and \$468,652 in 2007 and 2006, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at December 31, 2006 and 2005.

Three-year trend information showing the progress of the County Hospital's status regarding key indicators is as follows:

	As of December 31		
	2006	2005	2004
Annual Pension Cost (APC)	\$ 517,060	\$ 468,652	\$ 439,538
Percentage of APC Contributed	100%	100%	100%
Actuarial Value of Assets	9,404,162	8,646,403	8,004,820
Actuarial Accrued Liability (Entry Age)	12,920,375	12,075,819	11,817,119
Unfunded Actuarial Accrued Liability (UAAL)	(3,516,213)	(3,429,416)	(3,812,299)
Funded Ratio	72.79%	71.60%	67.74%
Covered Payroll	5,187,794	4,995,226	5,483,909
UAAL as a Percentage of Covered Payroll	67.80%	68.65%	69.52%

Defined Contribution

The County Hospital also maintains a defined contribution plan covering exempt employees hired after May 1, 2001, and all other exempt employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute either 0 or 3 percent of their gross earnings and the County Hospital will contribute 5.57 percent of gross earnings for participants. The County Hospital's contributions to the plan amounted to \$139,496 and \$124,071 in 2007 and 2006, respectively.

NOTE N--HOSPITAL BOND DEBT MILLAGE

In October 1990, Baraga County voters approved a referendum authorizing the county to issue general obligation bonds in the amount of \$2,000,000 with the proceeds used to partially finance a hospital construction project. Debt service on the bonds is being provided by an additional tax of 2.5 mills; the County Hospital has no obligation for repayment of the bonds. Tax receipts received by the county from the 2.5 mills that exceed the annual debt service on the bonds are to be utilized by the County Hospital for capital expenditures. During the years ended September 30, 2007 and 2006, the excess millage funds amounted to \$314,672 and \$275,573, respectively, which are shown as an increase to the County Hospital's General Fund balance. At September 30, 2007 and 2006, the County Hospital had a receivable of \$604,589 and \$639,917, respectively, for these funds.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE O--CONCENTRATIONS OF CREDIT RISK--COUNTY HOSPITAL (COMPONENT UNIT)

The County Hospital (component unit) is located in L'Anse, Michigan. The County Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2007 and 2006, was as follows:

	2007		2006	
	Hospital	Component Unit	Hospital	Component Unit
Medicare	32%	9%	32%	7%
Blue Cross	18%	0%	22%	0%
Medicaid	12%	81%	13%	86%
Commercial	20%	0%	15%	0%
Patients	18%	10%	18%	7%
Total	100%	100%	100%	100%

NOTE P--POST-EMPLOYMENT BENEFITS

Primary Government

The county provides post-employment health care benefits, in accordance with Article 32 of the labor contracts and personnel policy, to any employees who retire from the county at age 62 with 14 years of continuous service with the county work force. The county will pay hospitalization premiums until the employee reaches age 65. Coverage is intended for the entire family. The provision does not apply to anyone retiring before age 62 or anyone not working full-time. The county's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2007, four retirees and/or disabled employees were eligible for this benefit at a total cost of \$40,941.

Road Commission (Component Unit)

In addition to the pension benefits described in Note L, the Baraga County Road Commission provides post-employment health care insurance benefits to certain retired or permanently disabled union and administrative employees and/or their spouse in accordance with the following provisions:

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE P--POST-EMPLOYMENT BENEFITS (Continued)

Retired Union Employees

The hospital and medical coverage benefits are provided in accordance with Article 33(A.2a) and 33(A.2b) in the union agreement. Article 33(A.2a) states: When an employee elects to retire early and has at least twenty (20) years of continuous service with the Road Commission, the Road Commission agrees to continue to pay the premiums for the lesser of: (1) five years; or (2) until the employee's qualification for Medicare or death. Article 33(A.2b) states: For employees employed as of December 31, 1998 electing to retire early, the Road Commission agrees to continue to pay the premiums from age 62 to 65 or until the employee qualifies for Medicare or death, whichever comes sooner, even if the employee has not completed such twenty (20) years.

Retired Administrative Employees

The benefits are provided in accordance with Section 10(A.2) of the "General Employee Policy pertaining to Non-Bargaining Unit Employees," which includes the provision that when an employee elects to retire early, the Road Commission agrees to pay the medical insurance premium from age 60 to 65 or until the employee qualifies for Medicare, whichever comes sooner.

Permanently Disabled Employees

The benefits are provided in accordance with a board of road commissioners' policy adopted on November 13, 1996, which includes the provision that any regular employee having 20 years of service with the Road Commission who becomes permanently disabled, or any regular employee having 5 years of service with the Road Commission who becomes permanently disabled after reaching age 55, shall be eligible for health insurance benefits for a 36 month period. Said period shall commence the month after the month of the last day worked. Eligible employees are those who have been determined to be permanently disabled and are receiving social security disability and MERS retirement benefits. During the three year period under this policy, the Road Commission will pay the premiums for primary coverage until such time that the employee qualifies for Medicare Part B, at which time the Road Commission will pay the premium for secondary coverage.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2007, nine retirees and/or disabled employees were eligible for this benefit at a total cost of \$77,623. During 2007, the Road Commission also paid two retirees a total of \$40,150 for payments in-lieu-of insurance premiums.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE Q--FEDERAL GRANTS--ROAD COMMISSION (COMPONENT UNIT)

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2007, the Federal aid expended by the Road Commission was \$1,363,059 for contracted projects and \$1,259,146 for negotiated projects. The difference between the revenue and expenditures for negotiated projects is due to a BIA project in progress at September 30, 2007, which is to be billed after project completion. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's Single Audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission and are subject to a single audit if the expenditures exceeded \$500,000.

A single audit was performed during the fiscal year ended September 30, 2007, as there was \$1,188,426 expended in Federal awards.

NOTE R--DEFERRED COMPENSATION

Primary Government

Baraga County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of the Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in these financial statements.

Road Commission (Component Unit)

The Baraga County Road Commission offers all Road Commission employees a choice of three deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. During 1998, the assets of the plan were held in a trust in a custodial account as described in IRS Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are: Nationwide Retirement Solutions, and EF Jones Insurance and are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE R--DEFERRED COMPENSATION (Continued)

During 2006, the Road Commission ended their agreement with Hartford Life Insurance Company. Employees with funds in the Hartford plan can continue to have their funds with the plan until they individually elect to move their funds out of the plan.

COUNTY OF BARAGA
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2007

EXHIBIT K

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance--October 1, 2006	\$ 266,645	\$ 266,645	\$ 266,645	-
Resources (Inflows)				
Property Taxes	2,312,943	2,291,043	# 2,512,269	\$ 221,226
Licenses and Permits	3,250	5,050	6,138	1,088
Federal Grants	46,500	56,500	56,311	(189)
State Grants	293,268	448,665	446,233	(2,432)
Charges for Services	318,575	348,575	402,122	53,547
Fines and Forfeitures	9,000	9,000	7,488	(1,512)
Interest and Rentals	21,000	30,000	36,418	6,418
Other Revenue	75,915	94,415	71,382	(23,033)
Transfers From Other Funds	229,203	229,203	233,800	4,597
Amounts Available for Appropriation	3,576,299	3,779,096	4,038,806	259,710
Charges to Appropriations (Outflows)				
Current				
General Government	1,051,314	1,579,396	1,510,871	68,525
Public Safety	668,364	1,044,873	997,090	47,783
Health and Welfare	150,916	165,848	151,394	14,454
Community and Economic Development	6,496	6,496	6,096	400
Recreation and Culture	4,000	4,000	4,000	-
Other Functions	883,064	225,593	94,407	131,186
Capital Outlay	25,000	42,000	39,878	2,122
Transfers to Other Funds	520,500	524,000	514,000	10,000
Total Charges to Appropriations	3,309,654	3,592,206	3,317,736	274,470
Fund Balance--September 30, 2007	\$ 266,645	\$ 186,890	\$ 721,070	\$ 534,180

COUNTY OF BARAGA
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
911 WIRELESS--MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2007

EXHIBIT L

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State Grants	\$ 84,000	\$ 84,000	\$ 97,255	\$ 13,255
Interest Earned			5,311	5,311
Total Revenues	84,000	84,000	102,566	18,566
Expenditures				
Current				
Public Safety	80,000	80,000	64,212	15,788
Capital Outlay			17,550	(17,550)
Total Expenditures	80,000	80,000	81,762	(1,762)
Excess of Revenues Over (Under) Expenditures	4,000	4,000	20,804	16,804
Fund Balance--October 1, 2006	207,942	237,852	237,852	-
Fund Balance--September 30, 2007	\$ 211,942	\$ 241,852	\$ 258,656	\$ 16,804

COUNTY OF BARAGA
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
REVENUE SHARING
For the Year Ended September 30, 2007

EXHIBIT M

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest Earned on Deposits	\$ 18,000	\$ 18,000	\$ 7,276	\$ (10,724)
Total Revenues	18,000	18,000	7,276	(10,724)
Expenditures				
Current	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	18,000	18,000	7,276	(10,724)
Other Financing Sources (Uses)				
Interfund Transfers In	458,000	458,000	458,000	-
Interfund Transfers (Out)	(164,000)	(164,000)	(164,203)	(203)
Total Other Financing Sources (Uses)	294,000	294,000	293,797	(203)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	312,000	312,000	301,073	(10,927)
Fund Balance--October 1, 2006	577,261	577,261	581,009	3,748
Fund Balance--September 30, 2007	\$ 889,261	\$ 889,261	\$ 882,082	\$ (7,179)

COUNTY OF BARAGA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2007

EXHIBIT N

	SPECIAL REVENUE FUNDS									DEBT SERVICE FUND	
	Friend of the Court	Register of Deeds Automation	Senior Citizens	Law Library	Housing 2007-2008 Grant	Rehabilitation 2005-2006 Grant	Probate Child Care	Veterans' Affairs	Veterans' Trust	Jail Bond Debt	Total
<u>ASSETS</u>											
Cash	\$ 26,168	\$ 11,096	\$ 63,329	\$ 2,927	\$ 16,161	\$ 16,055	\$ 9,606	\$ 4,807	\$ 2,332	\$ 119,735	\$ 272,216
Total Assets	\$ 26,168	\$ 11,096	\$ 63,329	\$ 2,927	\$ 16,161	\$ 16,055	\$ 9,606	\$ 4,807	\$ 2,332	\$ 119,735	\$ 272,216
<u>LIABILITIES AND FUND EQUITY</u>											
Liabilities											
Accounts Payable				\$ 2,256			\$ 3,124				\$ 5,380
Due to State of Michigan							2,727				2,727
Accrued Liabilities		\$ 59						\$ 81			140
Deferred Revenue--Other					\$ 16,161	\$ 16,055					32,216
Total Liabilities	\$ -	59	\$ -	2,256	16,161	16,055	5,851	81	\$ -	\$ -	40,463
Fund Equity											
Fund Balances											
Unreserved--Undesignated	26,168	11,037	63,329	671	-	-	3,755	4,726	2,332		112,018
Reserved for Debt Service										119,735	119,735
Total Fund Equity	26,168	11,037	63,329	671	-	-	3,755	4,726	2,332	119,735	231,753
Total Liabilities and Fund Equity	\$ 26,168	\$ 11,096	\$ 63,329	\$ 2,927	\$ 16,161	\$ 16,055	\$ 9,606	\$ 4,807	\$ 2,332	\$ 119,735	\$ 272,216

COUNTY OF BARAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2007

EXHIBIT O

	SPECIAL REVENUE FUNDS									DEBT SERVICE	
	Friend of the Court	Register of Deeds Automation	Senior Citizens	Law Library	Housing 2007-2008 Grant	Rehabilitation 2005-2006 Grant	Probate Child Care	Veterans' Affairs	Veterans' Trust	Jail Bond Debt	Total
Revenues											
Taxes			\$ 193,343							\$ 174,018	\$ 367,361
Federal Grants						\$ 80,492	\$ 4,040				84,532
State Grants							8,467				8,467
Charges for Services	\$ 1,850	\$ 10,106					244				12,200
Fines and Forfeits				\$ 2,000							2,000
Interest and Rents										3,368	3,368
Other					\$ 433	18,186	733				19,352
Total Revenues	1,850	10,106	193,343	2,000	433	98,678	13,484	\$ -	\$ -	177,386	497,280
Expenditures											
Current											
General Government	2,450	5,327		9,626							17,403
Health and Welfare			189,900				41,316	19,614			250,830
Community and Economic Development					433	98,678					99,111
Debt Service											
Principal										125,000	125,000
Interest										45,287	45,287
Total Expenditures	2,450	5,327	189,900	9,626	433	98,678	41,316	19,614	-	170,287	537,631
Excess of Revenue Over (Under)											
Expenditures	(600)	4,779	3,443	(7,626)	-	-	(27,832)	(19,614)	-	7,099	(40,351)
Other Financing Sources (Uses)											
Primary Government											
Operating Transfers In				8,000		-	30,000	18,000			56,000
Operating Transfers (Out)											-
Total Other Financing Sources (Uses)	-	-	-	8,000	-	-	30,000	18,000	-	-	56,000
Fund Balance--October 1, 2006	26,768	6,258	59,886	297	-	-	1,587	6,340	2,332	112,636	216,104
Excess of Revenues and Other Sources Over (Under)											
Expenditures and Other Uses	(600)	4,779	3,443	374	-	-	2,168	(1,614)	-	7,099	15,649
Fund Balance--September 30, 2007	\$ 26,168	\$ 11,037	\$ 63,329	\$ 671	\$ -	\$ -	\$ 3,755	\$ 4,726	\$ 2,332	\$ 119,735	\$ 231,753

**COUNTY OF BARAGA
COMBINING NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
September 30, 2007**

EXHIBIT P

	100% TAX PAYMENT FUNDS						
	2000	2001	2002	2003	2004	2005	Total
<u>ASSETS</u>							
Cash and Cash Equivalents		\$ 3,946	\$ 24,828	\$ 40,844	\$ 67,527	\$ 30,552	\$ 167,697
Delinquent Taxes Receivable					723	23,629	24,352
Due From Other Funds		84,000	90,000	45,000			219,000
Fees Receivable					30	300	330
Total Assets	\$ -	\$ 87,946	\$ 114,828	\$ 85,844	\$ 68,280	\$ 54,481	\$ 411,379
<u>LIABILITIES</u>							
Liabilities							
Fees Payable					\$ 9,671	\$ 5,523	\$ 15,194
Total Liabilities	\$ -	\$ -	\$ -	\$ -	9,671	5,523	15,194
<u>NET ASSETS</u>							
Unrestricted	-	87,946	114,828	85,844	58,609	48,958	396,185
Total Net Assets	\$ -	\$ 87,946	\$ 114,828	\$ 85,844	\$ 58,609	\$ 48,958	\$ 396,185

COUNTY OF BARAGA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--ENTERPRISE FUNDS (NON-MAJOR)
For the Fiscal Year Ended September 30, 2007

EXHIBIT Q

	100% TAX PAYMENT FUNDS						
	2000	2001	2002	2003	2004	2005	Total
Operating Revenues							
Interest and Penalties on Taxes			\$ 40	\$ 173	\$ 11,450	\$ 37,413	\$ 49,076
Total Operating Revenues	\$ -	\$ -	40	173	11,450	37,413	49,076
Operating Expenses							
Administrative Expense					6,124	5,814	11,938
Total Operating Expense	-	-	-	-	6,124	5,814	11,938
Operating Income (Loss)	-	-	40	173	5,326	31,599	37,138
Nonoperating Revenue							
Interest Earned on Deposits			14,566	-			14,566
Net Income (Loss) Before Operating Transfers	-	-	14,606	173	5,326	31,599	51,704
Operating Transfers							
Transfer (Out)--Primary Government	(69,597)						(69,597)
Net Income (Loss)	(69,597)	-	14,606	173	5,326	31,599	(17,893)
Net Assets--October 1, 2006	69,597	87,946	100,222	85,671	53,283	17,359	414,078
Net Assets--September 30, 2007	\$ -	\$ 87,946	\$ 114,828	\$ 85,844	\$ 58,609	\$ 48,958	\$ 396,185

COUNTY OF BARAGA
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
ENTERPRISE FUNDS (NON-MAJOR)
For the Fiscal Year Ended September 30, 2007

EXHIBIT R

	100% TAX PAYMENT FUNDS						
	2000	2001	2002	2003	2004	2005	Total
Cash Flows From Operating Activities							
Interest and Penalties on Taxes			\$ 40	\$ 173	\$ 11,450	\$ 37,413	\$ 49,076
Administrative Expenses					(6,124)	(5,814)	(11,938)
Delinquent Taxes Collected			134	318	29,264	218,794	248,510
Net Cash Provided by Operating Activities	\$ -	\$ -	174	491	34,590	250,393	285,648
Cash Flows From Noncapital Financing Activities							
(Increase) or Decrease in Other Receivables					330	(300)	30
(Increase) or Decrease in Advances to Other Funds	7,000		90,000				97,000
Increase or (Decrease) in Other Payables					6,873	5,864	12,737
Increase or (Decrease) in Advances From Other Funds						(226,000)	(226,000)
Transfers (Out)	(69,597)						(69,597)
Net Cash Provided by Noncapital Financing Activities	(62,597)	-	-	-	7,203	(220,436)	(275,830)
Cash Flows From Investing Activities							
Interest on Deposits			14,566	-			14,566
Net Increase (Decrease) in Cash and Cash Equivalents	(62,597)	-	14,740	491	41,793	29,957	24,384
Cash and Cash Equivalents--October 1, 2006	62,597	3,946	10,088	40,353	25,734	595	143,313
Cash and Cash Equivalents--September 30, 2007	\$ -	\$ 3,946	\$ 24,828	\$ 40,844	\$ 67,527	\$ 30,552	\$ 167,697
Reconciliation of Operating Income to Net Cash Provided by Operating Activity							
Operating Income (Loss)	-	-	\$ 40	\$ 173	\$ 5,326	\$ 31,599	\$ 37,138
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities							
(Increase) Decrease in Assets							
Delinquent Taxes Receivable			134	318	29,264	218,794	248,510
Net Cash Provided by Operating Activities	\$ -	\$ -	\$ 174	\$ 491	\$ 34,590	\$ 250,393	\$ 285,648

**COUNTY OF BARAGA
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
September 30, 2007**

EXHIBIT S

	Trust and Agency	Library	Total
<hr/>			
<u>ASSETS</u>			
Cash	\$ 885,667	\$ 8,898	\$ 894,565
	<hr/>		
Total Assets	\$ 885,667	\$ 8,898	\$ 894,565
	<hr/> <hr/>		
<u>LIABILITIES</u>			
Due to State of Michigan	\$ 770,097		\$ 770,097
Undistributed Penal Fines		\$ 8,867	8,867
Undistributed Interest		31	31
Undistributed Tax Collections	19,001		19,001
Other Trust Items Payable	96,569		96,569
	<hr/>		
Total Liabilities	\$ 885,667	\$ 8,898	\$ 894,565
	<hr/> <hr/>		

COUNTY OF BARAGA
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES--AGENCY FUNDS
For the Fiscal Year Ended September 30, 2007

EXHIBIT T

	Balance 10/01/06	Additions	Deductions	Balance 09/30/07
<u>TRUST AND AGENCY FUND</u>				
Assets				
Cash	\$ 755,059	\$ 5,984,533	\$ 5,853,925	\$ 885,667
Total Assets	\$ 755,059	\$ 5,984,533	\$ 5,853,925	\$ 885,667
Liabilities				
Due to Other Funds		\$ 1,911,398	\$ 1,911,398	-
Due to Component Units		318,237	318,237	-
Due to Schools		295,620	295,620	-
Due to Townships		172,698	172,698	-
Due to Villages	\$ 1,283	243,639	244,922	-
Due to State of Michigan	665,313	1,782,918	1,678,134	\$ 770,097
Undistributed Tax Collections	25,758	3,934,697	3,941,454	19,001
Other Trust Items Payable	62,705	227,945	194,081	96,569
Total Liabilities	\$ 755,059	\$ 8,887,152	\$ 8,756,544	\$ 885,667
<u>LIBRARY FUND</u>				
Assets				
Cash	\$ 13,532	\$ 32,860	\$ 37,494	\$ 8,898
Liabilities				
Undistributed Interest	66	137	172	31
Undistributed Penal Fines	13,466	32,723	37,322	8,867
Total Liabilities	\$ 13,532	\$ 32,860	\$ 37,494	\$ 8,898

COUNTY OF BARAGA
STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2007

EXHIBIT U

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Current Winter Property Taxes	\$ 518,818	\$ 518,818	\$ 608,870	\$ 90,052
Current Summer Property Taxes	1,519,005	1,519,005	1,655,449	136,444
Delinquent Real Property Tax	100,000	79,600	76,744	(2,856)
Unpaid Personal Property Tax	5,000	5,000	678	(4,322)
DNR Lands Taxes	2,500	2,500	2,465	(35)
Stumpage Yield Tax	2,500	1,000	-	(1,000)
Commercial Forest Tax (State)	45,500	45,500	47,728	2,228
Trailer Park Tax	100	100	78	(22)
Swamp Lands Tax	73,020	73,020	73,004	(16)
Federal Payments in-Lieu-of Taxes	45,000	45,000	44,100	(900)
Tax Collection Fees	1,500	1,500	3,153	1,653
Total Taxes	2,312,943	2,291,043	2,512,269	221,226
Licenses and Permits				
Marriage Licenses	250	250	225	(25)
Marriage License Counseling Fees	600	600	615	15
Dog Licenses	350	350	383	33
Soil Erosion Permits	2,000	3,800	4,915	1,115
Other--Non-Business	50	50		(50)
Total Licenses and Permits	3,250	5,050	6,138	1,088
Federal Grants				
Emergency Services Program	6,500	6,500	5,097	(1,403)
Domestic Preparedness/Homeland Security Grants		10,000	7,561	(2,439)
Cooperative Reimbursement Program	23,500	23,500	23,680	180
ADC Incentive Program	16,500	16,500	19,973	3,473
Total Federal Grants	46,500	56,500	56,311	(189)
State Grants				
Judges' Salary Standardization	51,180	116,180	133,781	17,601
Snowmobile Safety Program	3,815	815	2,049	1,234
Secondary Road Patrol	39,965	39,965	42,780	2,815
Marine Safety Program	10,125	2,525	-	(2,525)
Court Case Flow Assistance	2,700	2,700	2,446	(254)
Act 302 Officer Training	1,200	1,200	1,378	178
Juror Compensation	500	500	285	(215)
Court Equity Fund	50,000	50,000	47,925	(2,075)
Prison Inmate Prosecution	6,000	6,000	919	(5,081)
Cooperative Reimbursement Program	-	-	-	-
Child Care Basic Grant	15,000	15,000	15,000	-
Juvenile Officer	26,780	26,780	13,659	(13,121)
Liquor License Fees			385	385
Diverted Felons Program	12,000	4,000	10,049	6,049
Crime Victims Rights	20,000	20,000	12,497	(7,503)
Prison Inmate Defense	16,500	16,500	19,278	2,778
Cigarette Tax	4,840	4,840	5,165	325
Convention Facilities Tax	32,663	34,063	32,162	(1,901)
Remonumentation Program		92,597	91,475	(1,122)
Sheriff Fingerprinting Equipment Grant		15,000	15,000	-
Total State Grants	293,268	448,665	446,233	(2,432)

COUNTY OF BARAGA
STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2007

EXHIBIT U
(CONTINUED)

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges for Services				
Circuit Court Costs	6,400	6,400	6,214	(186)
Probation Enhancement Fees	800	800	825	25
District Court Costs	92,500	92,500	91,499	(1,001)
District Court Supervision Fees	9,500	9,500	10,231	731
Bond Costs	1,500	1,500	3,045	1,545
Probation Fees	7,500	7,500	9,828	2,328
Circuit Court Services	2,000	2,000	2,168	168
Friend of the Court Services	8,200	8,200	7,349	(851)
Probate Court Services	4,000	4,000	5,558	1,558
Treasurer Services	1,300	1,300	894	(406)
Clerk Services	11,500	11,500	13,627	2,127
Register of Deeds Services	45,125	45,125	40,507	(4,618)
Real Estate Transfer Tax	21,000	21,000	22,570	1,570
District Court Civil Fees	6,500	6,500	7,543	1,043
Sheriff Services	7,025	7,025	10,156	3,131
Equalization Department Services	8,300	8,300	13,747	5,447
Inmates Board and Care	10,100	10,100	17,412	7,312
Jail Bed Rental	70,000	100,000	133,980	33,980
Inmate Phone Services	5,000	5,000	4,774	(226)
Sale of Supplies	325	325	195	(130)
Total Charges for Services	318,575	348,575	402,122	53,547
Fines and Forfeits				
Ordinance Fines and Costs	8,500	8,500	6,784	(1,716)
Bond Forfeitures	500	500	704	204
Total Fines and Forfeits	9,000	9,000	7,488	(1,512)
Interest and Rents				
Interest Earned	21,000	30,000	36,418	6,418
Other Revenue				
Reimbursements				
Election Expense	2,500	4,200	5,265	1,065
Hospitalization Insurance Premiums	34,400	34,400	17,176	(17,224)
Mental Health Transporting	10,000	10,000	7,429	(2,571)
Tribal Contributions	20,000	36,800	36,898	98
General Refunds and Reimbursements	9,015	9,015	4,614	(4,401)
Total Other Revenue	75,915	94,415	71,382	(23,033)
Total Revenues	3,080,451	3,283,248	3,538,361	255,113
Other Sources				
Operating Transfers In From (Primary Government)				
Revenue Sharing Fund	164,203	164,203	164,203	
100% Tax Payment Funds	65,000	65,000	69,597	4,597
Total Other Sources	229,203	229,203	233,800	4,597
Total Revenue and Other Sources	\$ 3,309,654	\$ 3,512,451	\$ 3,772,161	\$ 259,710

COUNTY OF BARAGA
STATEMENT OF EXPENDITURES AND OTHER USES
BY ACTIVITY--BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2007

EXHIBIT V

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Board of Commissioners	\$ 28,026	\$ 52,766	\$ 52,559	\$ 207
Circuit Court	103,516	111,716	84,699	27,017
District Court	81,917	117,529	112,839	4,690
District Court Magistrate	28,772	54,054	53,724	330
District Court Probation	20,000	20,000	20,000	-
Friend of the Court	48,233	49,533	41,157	8,376
Jury Commission	1,350	1,350	1,012	338
Probate Court	154,091	248,327	244,617	3,710
Elections	11,800	8,800	7,669	1,131
Clerk	77,980	133,319	131,378	1,941
County Audit	18,500	18,810	14,586	4,224
Equalization Department	91,466	162,002	157,968	4,034
Prosecuting Attorney	127,709	192,219	191,091	1,128
Register of Deeds	28,808	50,260	48,869	1,391
Treasurer	77,718	123,102	122,413	689
Cooperative Extension Service	50,049	64,621	64,302	319
Courthouse and Grounds	88,389	65,401	58,462	6,939
Resource Conservation and Development	325	325	-	325
Remonumentation Project		92,597	91,475	1,122
Record Copying	12,315	12,315	12,051	264
Miscellaneous	350	350	-	350
Total General Government	1,051,314	1,579,396	1,510,871	68,525
Public Safety				
Sheriff	296,648	438,644	403,837	34,807
Act 302 Training	1,500	2,300	2,185	115
Marine Safety Program	12,900	9,500	4,421	5,079
Snowmobile Safety Program	5,087	2,887	2,039	848
Secondary Road Patrol	39,965	49,965	48,608	1,357
Jail	276,684	493,780	493,555	225
Mine Inspector	1,390	1,761	1,609	152
Soil Erosion and Sedimentation	1,900	1,900	1,259	641
Emergency Services Program	17,990	19,236	18,970	266
Domestic Preparedness/Homeland Security Grants		10,000	7,561	2,439
Animal Control	14,300	14,900	13,046	1,854
Total Public Safety	668,364	1,044,873	997,090	47,783
Health and Welfare				
District Health Department	50,742	50,742	49,144	1,598
District Health Department--Cigarette Tax	3,600	3,700	3,646	54
Substance Abuse Coordinating Agency	17,302	16,302	16,031	271
Medical Examiner	5,500	5,500	2,250	3,250
Community Mental Health Authority	33,795	33,795	33,795	-
Juvenile Court Counselor	30,977	46,809	39,403	7,406
Human Services	3,500	3,500	2,325	1,175
Veterans Burials	5,500	5,500	4,800	700
Total Health and Welfare	150,916	165,848	151,394	14,454

COUNTY OF BARAGA
STATEMENT OF EXPENDITURES AND OTHER USES
BY ACTIVITY--BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2007

EXHIBIT V
(CONTINUED)

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Community and Economic Development				
UP Commission for Area Progress	400	400		400
Western UP Planning and Development Region	6,096	6,096	6,096	-
Total Community and Economic Development	6,496	6,496	6,096	400
Recreation and Culture				
County Fair Board	4,000	4,000	4,000	-
Other Functions				
Insurance and Bonds	65,000	47,000	41,971	5,029
Employee Hospitalization Insurance	543,930	88,930	-	88,930
Retirees Post Employment Hospitalization Benefits		26,400	25,975	425
Retirees Reimbursable Hospitalization Premiums		29,200	26,421	2,779
Current Hospitalization Deductible	12,363	12,363	-	12,363
Employee Retirement	148,145	-		-
Social Security and Medicare	88,500	12,574	(2,708)	15,282
Unemployment Benefits	7,000	4,000	-	4,000
Employee Life Insurance	1,700	1,700	-	1,700
Other Employee Benefits	426	426	-	426
Refunds	-	3,000	2,748	252
Negotiations	16,000			-
Total Other Functions	883,064	225,593	94,407	131,186
Capital Outlay	25,000	42,000	39,878	2,122
Total Expenditures	2,789,154	3,068,206	2,803,736	264,470
Other Uses				
Operating Transfers (Out)				
Revenue Sharing Fund	458,000	458,000	458,000	-
Probate Child Care Fund	40,000	40,000	30,000	10,000
Veterans' Affairs Fund	18,000	18,000	18,000	-
Law Library Fund	4,500	8,000	8,000	-
Total Other Uses	520,500	524,000	514,000	10,000
Total Expenditures and Other Uses	\$ 3,309,654	\$ 3,592,206	\$ 3,317,736	\$ 274,470

COUNTY OF BARAGA
COMBINING STATEMENT OF NET ASSETS
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
September 30, 2007

EXHIBIT W

	<u>DEBT SERVICE</u>		<u>CAPITAL PROJECT</u>	
	L'Anse 2002 Bond	L'Anse 1979 Bond	L'Anse 2002 RRI Fund	Total
<u>ASSETS</u>				
Current Assets				
Cash		\$ 78		\$ 78
Due From Villages			\$ 47,950	47,950
Total Current Assets	\$ -	78	47,950	48,028
Total Assets	-	78	47,950	48,028
Noncurrent Assets				
Due From Local Units of Government				
Due Within One Year	20,000	65,000		85,000
Due in More Than One Year	1,640,000	570,000		2,210,000
Total Noncurrent Assets	1,660,000	635,000	-	2,295,000
Total Assets	\$ 1,660,000	\$ 635,078	\$ 47,950	\$ 2,343,028
<u>LIABILITIES</u>				
Current Liabilities				
Due to Villages			\$ 47,950	\$ 47,950
Total Current Liabilities	\$ -	\$ -		47,950
Noncurrent Liabilities				
Bonds Payable				
Due Within One Year	20,000	65,000		85,000
Due in More Than One Year	1,640,000	570,000		2,210,000
Total Noncurrent Liabilities	1,660,000	635,000	-	2,295,000
Total Liabilities	1,660,000	635,000	47,950	2,342,950
<u>NET ASSETS</u>				
Restricted for Debt Service		78		78
Total Net Assets	\$ -	\$ 78	\$ -	\$ 78

COUNTY OF BARAGA
COMBINING STATEMENT OF ACTIVITIES
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
For the Year Ended September 30, 2007

EXHIBIT X

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>		
	Expenses	Operating Grants and Contributions	Net (Expense) Revenue
L'Anse 2002 Bond			
Interest on Related Debt	\$ 75,150	\$ 75,150	\$ -
Total L'Anse 2002 Bond Debt	75,150	75,150	-
L'Anse 1979 Bond			
Interest on Related Debt	34,750	34,750	-
Total L'Anse 1979 Debt	34,750	34,750	-
Total L'Anse DPW Sewer Debt	\$ 109,900	\$ 109,900	\$ -
Change in Net Assets			-
Net Assets--Beginning of Year			\$ 78
Net Assets--End of Year			\$ 78

COUNTY OF BARAGA
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
GOVERNMENTAL FUNDS
September 30, 2007

EXHIBIT Y

	<u>DEBT SERVICE</u>		<u>CAPITAL PROJECT</u>	
	L'Anse 2002 Bond	L'Anse 1979 Bond	L'Anse 2002 RRI Fund	Total
<u>ASSETS</u>				
Cash		\$ 78		\$ 78
Due From Local Units of Government	\$ 1,660,000	635,000	\$ 47,950	2,342,950
Total Assets	\$ 1,660,000	\$ 635,078	\$ 47,950	\$ 2,343,028
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Due to Other Villages			\$ 47,950	\$ 47,950
Deferred Revenue	\$ 1,660,000	\$ 635,000		2,295,000
Total Liabilities	1,660,000	635,000	47,950	2,342,950
Fund Equity				
Fund Balance				
Designated for Debt Service		78		78
Total Fund Equity	-	78		78
Total Liabilities and Fund Equity	\$ 1,660,000	\$ 635,078	\$ 47,950	\$ 2,343,028
Fund Balance--Total Governmental Funds				\$ 78
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds.				2,342,950
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(2,342,950)</u>
Total Net Assets				<u>\$ 78</u>

COUNTY OF BARAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS
COMPONENT UNIT--GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

EXHIBIT Z

	DEBT SERVICE		
	L'Anse 2002 Bond	L'Anse 1979 Bond	Total
Revenues			
Contributions From Local Units	\$95,150	\$94,750	\$ 189,900
Total Revenues	95,150	94,750	189,900
Expenditures			
Public Works			-
Debt Service			
Principal	20,000	60,000	80,000
Interest and Fiscal Fees	75,150	34,750	109,900
Total Expenditures	95,150	94,750	189,900
Excess of Revenues Over (Under)			
Expenditures	-	-	-
Total Other Financing			
Sources (Uses)	-	-	-
Excess of Revenues and Other			
Sources Over (Under)			
Expenditures and Other Uses	-	-	-
Fund Balance--October 1, 2006	-	78	78
Fund Balance--September 30, 2007	\$ -	\$ 78	\$ 78

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	-
Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred.	\$ (80,000)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	80,000
Change in Net Assets of Governmental Activities	\$ -



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

February 7, 2008

County of Baraga
County Board of Commissioners
16 North 3rd Street
L'Anse, Michigan 49946

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baraga County, Michigan, as of and for the year ended September 30, 2007, which collectively comprise Baraga County's basic financial statements and have issued our report thereon dated February 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and with the standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Baraga County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baraga County's internal control over financial reporting. We did not audit the financial statements of the Baraga County Memorial Hospital, which represents 40 percent, 30 percent and 77 percent, respectively of the assets, net assets and revenues of the component unit funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for Baraga County Memorial Hospital is based on the report of other auditors.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect Baraga County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Baraga County's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Comments and Recommendations to be significant deficiencies in internal control over financial reporting which are listed as Findings 07-1 and 07-2.

A material weakness is a significant deficiency or combination of significant deficiencies, which results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Baraga County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily identify all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baraga County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Comments and Recommendations as Findings 98-2, 07-3 and 07-4.

This report is intended solely for the information of the Baraga County Board of County Commissioners, the County's management and others within the County, Federal and State awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

COUNTY OF BARAGA

COMMENTS AND RECOMMENDATIONS

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect the Baraga County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Baraga County's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Listed below are significant deficiencies in the internal control that are material weaknesses.

Receipting Process

Finding 07-1

Condition: Lack of segregation of duties over the receipting process:

- There are only two people in the treasurer's office. They both open and receipt mail, and write all other receipts.
- Bank statements are not reconciled by individuals independent of cash receipts. However, another nonindependent person reviews the bank reconciliations, but does not initial them indicating approval.
- Bank statements are delivered directly to reconciler.
- Receipt register is randomly reviewed. However, reviewer's initials are not documented.
- Voided receipts do not give a reason for the void and do not indicate supervisory review.

Criteria: Strong internal controls provide for the reliability of financial reporting, safeguarding of vulnerable assets, accurate and timely reporting of transactions, segregation of duties, access restrictions to and accountability for resources and records, and proper documentation of transactions.

Recommendation: Since it is not possible to obtain complete segregation of duties with only two people involved in the receipting process, we recommend that the review of the bank reconciliation be initialed by the person not performing the reconciliation. We also recommend that all of the receipts written be compared to the receipt register and bank deposit and the receipt sequence be accounted for. The person reviewing this should have their initials documented on the source documentation. All voided receipts should be filed numerically with the receipts and a reason for the void should be indicated on the receipt as well as a reference to a replacement receipt, if applicable. All voided receipts should indicate supervisory approval.

Cash Count/Receipting Procedures-Sheriff/Jail Department

Finding 07-02

Condition: During our cash count at the Sheriff's Department, we found the following:

- The Sheriff's Department issues receipts that are not pre-numbered and do not indicate the department's name. We also found that receipt number 9424 was missing. The receipts were all accounted for, but were miss numbered.
- Checks were not endorsed immediately upon receipt and deposits are made once a month.

COUNTY OF BARAGA

COMMENTS AND RECOMMENDATIONS

Criteria: Strong internal controls provide for the reliability of financial reporting, safeguarding of vulnerable assets, accurate and timely reporting of transactions, access restrictions to and accountability for resources and records, and proper documentation of transactions. The Michigan Department of Treasury, Uniform Accounting Procedures Manual, sets forth the minimum internal controls that must be in place in every unit of government in Michigan, as follows:

1. Numerically controlled (printer pre-numbered) three-part official receipts with the name of the local unit printed on the receipt must be issued for all revenues received.
2. The use of generic store-bought receipts is strictly prohibited.
3. "Cash" or "check" as the method of payment must be indicated on the receipt.
4. The receipt must identify the individual receiving payment.
5. The receipt must allow for immediate revenue account classification in conformance with the Uniform Chart of Accounts.
6. Checks must be restrictively endorsed at the point and time of collection.
7. When possible, someone other than the person who writes receipts or posts the accounting records must be responsible to verify that collections received in the mail are properly receipted.
8. When possible, collections must be reconciled by an individual not involved in the receipting process.

Recommendation: We recommend that the Sheriff's Department comply with all of the internal controls listed above. When inmates are released, they are reimbursed for the money they still have in their account. However, if their deposits turn out to be returned for insufficient funds (NSF checks), it will be difficult to get back the funds after their release. Consequently, their deposits (checks) need to be timely deposited in order to be sure they are valid.

STATUTORY COMPLIANCE

Sheriff Department--Jail Commissary

Finding 98-2

Condition: The Jail has a commissary bank account which is reconciled to the checking account balance, but not to the inmate's account. The bank account has money from the inmates as well as commissary profits. The bank account is used for purchases of commissary items for resale to inmates and other items for the benefit of the inmates.

Criteria: The Michigan Department of Treasury Uniform Chart of Accounts for Counties and Local Units of Government in Michigan requires that the commissary be accounted for in fund number 595 - Commissary Fund.

COUNTY OF BARAGA

COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE (Continued)

Recommendation: We recommend that the county board of commissioners pass a resolution providing for the county treasurer to establish fund number 595 - Commissary Fund. We also recommend that the Sheriff Department deposit all commissary revenue with the county treasurer at least monthly. Commissary Fund expenditures should be submitted to the board of commissioners for approval whenever possible. An imprest cash or checking account may be established to pay suppliers that require immediate payment. When an imprest account is used, the Sheriff's Department should request reimbursement, at least monthly from the clerk's office, for expenditures made from this account. The imprest account should be reconciled monthly.

Management's Response: At the November 20, 2000 board meeting, it was the decision of the board to have the sheriff keep the fund at the jail due to the amount of work and time the above listed procedures would entail.

Violation of Credit Card Policy

Finding 07-3

Condition: Documentation for credit card expenditures is not always turned in, properly documented, or it is not for an authorized expenditure.

Criteria: MCL 129.243 states the following:

- a) An officer or employee designated by the credit card policy is responsible for the local unit's credit card issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- b) The credit card policy may limit the specific official business for which credit cards may be used.
- c) That an officer or employee using credit cards issued by the local unit shall submit to the local unit documentation described in the credit card policy detailing the goods or services purchased, the cost of the goods or services, the date of the purchase, and the official business for which purchased.
- d) For a system of internal accounting controls to monitor the use of credit cards issued by the local unit.
- e) For approval of the credit card invoices before payment.
- f) Any other matters the governing body considers advisable.

The county's credit card policy states what types of expenditures are authorized with a county credit card and what documentation is required for travel using a county credit card.

Recommendation: We recommend that the county remind all employees using a county issued credit card of the policy requirements and let them know their credit card use privileges will be suspended if the policy is not adhered to.

COUNTY OF BARAGA

COMMENTS AND RECOMMENDATIONS

OTHER MATTERS

Rural Development Authority-RRI Fund

Finding 07-4

Condition: A separate Repair, Replacement and Improvement (RRI) Fund was not established for the Baraga County Sanitary Sewer System Bonds (for the Village of L'Anse). At September 30, 2007, the balance should have been \$235,950, less the Rural Development's approval of \$188,000 in expenses that the Village of L'Anse had incurred up to September 30, 2007, leaving a net balance due of \$47,950. We assisted the county in establishing the RRI Fund with the receivable at September 30, 2007.

Criteria: The Baraga County Sanitary Sewer System Bonds (2002 L'Anse Improvements) agreement requires the county to establish a Construction-Repair and Replacement and Improvement (RRI) Fund. Each quarter the village is required to remit \$10,725 until the principal and interest are paid off. The money is to be deposited into the RRI Fund and shall only be used for the RRI and emergency maintenance of the Sanitary Sewer System.

Recommendation: In order to monitor the required payments, we recommend that the county record a journal entry setting up a receivable each quarter in the amount of \$10,725. When cash is received or when the village has submitted evidence of expenses related to the repair, replacement improvement and emergency maintenance of the sanitary sewer system, the receivable balance can be reduced. A quarterly billing should be sent to the village as a reminder of the bond requirement.